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HISTORY
OF THE
Bankers Life Association
OF
DES MOINES, IOWA

A review of the wonderful achievements of this famous institution showing the advantages to the members; the benefit of low costing insurance; illustrations and comparisons showing how millions of dollars have been saved to the members; the change to the legal reserve basis and its effect upon the members; the misrepresentations and misleading statements made by the officers and the agents to induce the members to exchange their low-costing certificates for high-priced legal reserve policies.

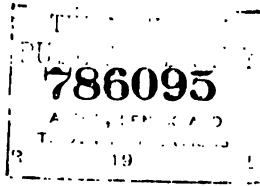
Illustrations showing the objectionable forms of policies issued by Legal Reserve Life Insurance Companies.

HOW LIFE INSURANCE SHOULD BE PURCHASED

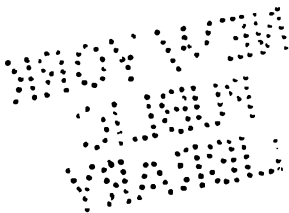
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HISTORY OF THE BANKERS LIFE ASSOCIATION OF DES MOINES, IA.

CHAPTER I.

Early History of the Association.

Back in the early '70s of the 19th century in the quiet town of Fairfield, Iowa, there lived a man by the name of George Temple, with his family.

Mr. Temple, being a banker and very well to do, was prominent in church and social circles.

It was at this time that there came to Fairfield an Episcopal minister by the name of Johnson. The Rev. Mr. Johnson did not move his family to Fairfield at the time he took up his church work there, but as the Temples were very hospitable people, Mr. Johnson made his home with them until such time as he could move his family there.

It was not long after this until the Rev. Mr. Johnson moved his family to Fairfield, and they lived in what was known as the old Knepp house. They lived there only a year or so when the Rev. Mr. Johnson took sick and died.

The Temples being his most intimate friends, on his death bed he told Mrs. Temple that he was one of 100 ministers who had joined in an agreement whereby upon the death of any one of them the surviving members were each to pay the widow of the deceased member \$10, and he asked Mrs. Temple to see to it that the ministers were notified regarding the payment of this money.

After the Rev. Mr. Johnson's death the ministers were notified and each one sent their contribution to the widow as agreed.

It was also agreed that where a vacancy occurred by the death of one of the members the same was filled by another minister. Thus it will be seen that each one of the 100 ministers were carrying \$990 of insurance protection for absolutely the net cost, there being no additional fees added to the mortality cost with which to pay managing expense, or to create cash or surrender values or so-called dividends.

In those days life insurance was a new thing to the average western layman and the bankers of the different towns were often solicited by the representatives of the eastern companies to act as their agents, and Mr. George Temple being a banker at Fairfield one of these companies endeavored to induce him to accept the agency for them.

In the early days mutual companies were not looked upon with favor from a substantial financial standpoint. Therefore, Mrs. Temple suggested to her husband that the bankers adopt a co-operative plan similar to that adopted by the ministers.

At this time Mr. Edward A. Temple, brother of George Temple, lived at Chariton, Iowa, and he was also a prominent and influential banker. He often came to Fairfield to visit his brother, and the minister's plan of insurance was for some time a home topic for discussion.

The Bankers' Association of Iowa held annual meetings, at which time important business matters were under discussion. For several years the mutual protective plan of insurance as adopted by the ministers was strongly considered at these meetings and it was finally decided to increase the amount of the death benefit under each certificate of membership to \$2,000 instead of \$1,000, which was adopted as a limit by the ministers. The members were afterward permitted to carry one, two or three certificates.

It was George Temple who suggested the guarantee fund system; that is, that each member be required to pay the association an amount equal to one dollar for each year of his age at the time he became a member for each \$2,000 certificate as a guarantee that he would not desert the organization. And from this the Bankers Life Association was evolved.

July 1, 1879, Edward A. Temple secured a charter, and thus the famous Bankers Life Association was established.

Record Established for Economy and Management.

Mr. Edward A. Temple was appointed President of the Association, which position he held until the time of his death, which was in February, 1909. During the thirty years that Mr. Temple managed the association a record was established for economy of management which is unparalleled in the annals of history. It may well be said that if there ever was one cent of the funds belonging to the members misappropriated Mr. Temple did not know it. For many years he drew no salary as president of the Association. At the time of his death, when the company had over \$456,000,000 of insurance in force, with annual premium income of almost \$5,000,000 his salary was only \$7,000 per annum.

The salaries now paid to some of the presidents of the Legal Reserve companies do not compare very favorably with the meager salary drawn by Mr. Temple, as some of these salaries are as high as \$50,000 a year.

The first year the association only secured fifty-eight members, but after that time it enjoyed an almost phenomenal growth.

For many years the only persons eligible for membership were bankers, the guarantee fund being based on the age of the insured at the time of entry to the association was always used as a standard for determining the amount to be paid by the insured and the assessments being collected quarterly were always based on a certain percentage of the guarantee fund.

There were four separate and distinct funds established.

First. The guarantee fund was created by the payment of one dollar for each year of the insured's age at the time he became a member for each \$2,000 certificate. This amount was held in trust by the association and paid to the designated beneficiary in addition to the amount of the certificate. This was also forfeited to the association should the insured discontinue his membership.

The benefit fund was derived by assessing the members a certain percentage of the guarantee fund to pay current death losses only.

For many years the amounts collected for the benefit fund were only small. In fact, during the lifetime of the association there were fourteen quarterly assessments which were never made. While the amounts collected for current mortality expense gradually increased during the early years, there was no material increase in the amounts of the assessments during the last twenty years of its existence.

The reserve fund consisted of all guarantee deposits which may have been paid in to the association by members who had allowed their certificates to lapse by the non-payment of assessments or other obligations required by the terms of the certificate; all interest accruing from all funds of the association; all gains, discounts and margins realized on sale of bonds and mortgages and on real estate taken under foreclosure or otherwise, and all unused surplus arising from the contingent fund and all other sources. This reserve was to be set apart as an emergency fund for the purpose of paying death claims in excess of ten to the thousand, and for the further purpose of advances for the payment of death losses when the benefit fund was exhausted.

The contingent fund was established by assessing the members a certain percentage of the guarantee fund to pay the expense of managing the company. This amount was collected semi-annually, payable in January and July.

A limit of 10 per cent of the guarantee fund was placed on the amount to be collected for managing expense.

During the early years the amounts collected for expense fluctuated from 5 to 10 per cent each year, yet during the later years the full 10 per cent was collected each year.

As the plan under which the Bankers Life Association was organized did not require the members to pay premiums in excess of the amounts required to pay current mortality and managing expense and in addition thereto a reserve fund as required by the American Table of Mortality it was known as an assessment association; the policy provided that after the reserve fund was exhausted the company could call for increased assessments sufficient to pay all mortality expense should the same be necessary.

There is no question that the assessment plan is the only plan which will

furnish pure, unadulterated life insurance at the smallest net cost to the policy holder.

The Legal Reserve system is based on an individual equity plan which requires each policy holder to pay sufficient money in addition to the current expense to create a reserve fund which will equal the face of the policy at the end of the possible lifetime of the insured.

The Bankers Life Association derived its reserve fund from the guarantee fund forfeited by lapsed members and the true interest earned on all the funds.

The association was changed to the Legal Reserve basis in November, 1911, yet on December 31, 1914, there were \$12,000,000 held by the company to the credit of the reserve fund and owing to the fact that this reserve fund is rapidly increasing each year and also that the insurance in force under the old assessment plan is rapidly decreasing the insurance under the assessment plan is becoming stronger each year.

The assessment plan of life insurance has always been the subject of severe criticism by the Legal Reserve companies. While Mr. Temple was manager of the association there was very little attention paid to these criticisms. His only aim seemed to be to see to it that the company was honestly and economically managed.

At the time the legal reserve companies were being examined by the Hughes investigating committee in 1905 and 1906 it was brought out in this investigation that the management of several of the Legal Reserve companies were making a family affair out of the companies. That is, they were taking care of their relatives. It was at that time Mr. Edward A. Temple issued his celebrated declaration that no relative of his would ever be connected in any way with the Bankers Life Association. Perhaps this is the greatest mistake he ever made, because it was always claimed that had some of his relatives been connected with the company they would never have permitted the present officers to change to the legal reserve basis.

Report of Examination Shows Splendid Financial Condition.

In order to show the splendid condition of the Association we will here publish extracts of an examination of the Association made by F. S. Withington, actuary and insurance examiner:

Des Moines, Iowa, June 16, 1906.

Hon. B. F. Carroll, Auditor of State, Des Moines, Iowa.

Sir: In accordance with your instructions of May 22, 1906, I commenced an examination of the condition and affairs of the Bankers Life Association of Des Moines, Iowa, and having this day completed the same, I beg to report as follows:

This association was organized July 1, 1879, and commenced business September 2, 1879, on the Mortuary Assessment plan, and is now operating under Chapter VII, Title IX, of the Code.

The original object of the association was to insure "Directors, officers and clerks connected with state, national, savings and private banks and trust companies and such other persons as the Board of Directors may approve." The above distinction has long been abandoned, however, and the membership made more general.

The affairs of the association are managed by a board of five directors, one new director being elected annually for a term of five years by the policy holders at their meeting at the home office upon the second Tuesday in April. Members vote in person, or by proxy, or by mail direct to the home office, or by depositing their ballots in one of the depository banks of the association; a representative of such bank acting as one of a board of counsellors, who may be appointed by the president of the association or elected by the members to receive the ballot. Ballots with notice of the annual meeting are sent to each member, and a new proxy on a postal card is usually sent with each notice and ballot.

The membership is limited to male persons between the ages of 21 and 50 inclusive.

Policies or "Certificates" are written for a fixed amount of \$2,000 of insurance. Not more than three such certificates may be issued to applicants aged 40 years or younger, and not more than two to those over 40 and not over 50 years.

Full medical examination is required in all cases, and the application must

have "the approval of an officer of, or employe occupying a position of trust in some banking institution."

Applicants deposit, on entrance, either in cash or their notes, a sum equal to \$1.00 for each year of their age for each \$2,000 certificate, for the "Guarantee Fund." They also pay a membership fee of one-half of that amount in cash for the first payment on the "contingent" or expense fund and 10 per cent annually upon the amount of the guarantee fund deposit, one-half of the latter being payable in January and one-half in July.

Mortuary assessments are levied pro rata by percentage on the guarantee fund deposit, and are payable quarterly in advance at any time during the months of January, April, July and October. The first assessment is payable in not less than two months after the date of admission.

The Guarantee Fund consists, as above stated, of \$1.00 for each year of age at entrance for each \$2,000 certificate. This may be paid in cash, or the member may give his note, payable in four equal installments, interest being charged on the unpaid portion of the notes at the rate of four per cent.

The amount of the said Guarantee Fund is paid to the beneficiary, in addition to the amount of the certificate, in case of death.

The Benefit Fund consists of the amount of pro rata assessments levied by the Board of Directors, as above described, and this is to be used exclusively for the payment of the face amount of the certificates after the death of the insured.

The Benefit Fund may be also increased by the transfer of any part of the Reserve Fund if found necessary to meet the death losses.

The Reserve Fund consists of all guarantee deposits which may have been paid in to the Association by members whose certificates have lapsed by the non-payment of assessments or other obligations required by the terms of the certificate; all interest accruing from all funds of the association; all gains, discounts and margins realized on sale of bonds and mortgages and on real estate taken under foreclosure or otherwise, and all unused surplus arising from the Contingent Fund and all other sources.

This reserve was to be set apart as an emergency fund for the purpose of providing for death losses in excess of one per cent per annum of the membership of the Association, and for the further purpose of advances for the payment of death losses when the benefit fund is exhausted.

The Contingent Fund consists of the membership fee of 50 per cent of the guarantee deposit, paid on entrance, and the expense dues of 10 per cent of the said guarantee deposit, before mentioned, and all monies collected for the purpose of defraying the expenses of the Association.

The following table shows the amount of assessments paid by members insuring at age 40, for mortuary and expense purposes during the past twenty years, per \$1,000 of insurance:

Year	Mortuary Assessments	Expense Assessments	Total
1886	\$4.00	\$1.20	\$ 5.20
1887	8.00	1.20	9.20
1888	8.80	1.20	10.00
1889	6.00	2.00	8.00
1890	6.00	2.00	8.00
1891	6.00	2.00	8.00
1892	6.00	2.00	8.00
1893	7.20	2.00	9.20
1894	7.20	2.00	9.20
1895	7.20	2.00	9.20
1896	6.40	1.00	7.40
1897	6.80	2.00	8.80
1898	6.80	2.00	8.80
1899	7.20	2.00	9.20
1900	6.80	2.00	8.80
1901	8.00	2.00	10.00
1902	7.00	2.00	9.00
1903	8.00	2.00	10.00
1904	8.00	2.00	10.00
1905	8.00	2.00	10.00

In addition to the above there was paid, as a guarantee fund, an amount of \$20.00 per \$1,000 at the same age during the first three years after issue of the certificate, this amount being, as above stated, added to the face of the amount of the certificate and payable at death. A membership of \$10.00 per \$1,000 was also paid on entrance.

This Association had on May 31, 1906, 136,178 policies or certificates in force, insuring a face amount of \$272,356,000. To this amount should be added the face amount of the guarantee fund, \$5,050,270, since the same is payable at death in addition to the said face amount. There was, therefore, a total of \$277,406,207 of insurance in force on the above date; this amount included no certificate on which the payments were overdue.

The following table gives the mortuary experience of the association for the past twenty years:

Year	Mean Amount at Risk	Losses Incurred	Per Cent of Actual to Expected Mortality	Per Cent of Insured Losses to Mean Amount at Risk
1886	\$ 12,048,000	\$ 62,000	43.1	.501
1887	14,657,000	104,000	58.8	.709
1888	18,168,000	106,000	48.6	.583
1889	22,104,000	104,000	39.3	.470
1890	26,645,000	160,000	49.0	.600
1891	32,086,000	184,000	46.3	.573
1892	38,956,000	214,000	44.8	.549
1893	46,207,000	326,000	55.5	.705
1894	54,333,000	354,000	50.7	.651
1895	66,847,000	374,000	43.4	.559
1896	80,576,000	488,000	46.7	.605
1897	93,796,000	588,000	48.1	.626
1898	107,853,000	638,000	44.9	.591
1899	122,117,000	808,000	49.7	.661
1900	136,311,000	900,000	48.8	.660
1901	151,511,000	1,008,000	48.5	.665
1902	169,150,000	1,052,000	44.8	.622
1903	189,096,000	1,250,000	47.1	.661
1904	211,047,000	1,528,000	51.1	.724
1905	238,303,000	1,578,000	46.4	.662

Average....47.8

It must be clearly understood that the last column is shown simply for the purpose of comparison, as it is absolutely without value for any other purpose.

The percentages of actual to expected mortality are based on the cost of insurance according to the Actuaries or Combined Experience Table of Mortality. These percentages have been computed by the secretary of the association, and having made thorough tests, I find them to be most accurate. They indicate a condition of vitality which I believe to be without parallel. In compiling the above table the amount of guarantee fund returned to the beneficiaries at death has not been included; this omission does not, however, affect materially the results shown. The extremely low death rate and the remarkably small fluctuation will be noted. I attribute this unusually healthy condition of membership in great part to the extreme care exercised in medical selection by competent and experienced medical examiners, but I believe it to be also due to the system of requiring recommendation of applicants by persons known to be responsible, thus insuring a membership of high quality and minimizing the moral risk. The strict enforcement of the provisions of the policy or certificate relating to temperance is also, in my opinion, a large factor in the production of the results shown above, since it has been demonstrated that the mortality among persons abstaining from the use of intoxicants is low.

An examination of the proofs of death and the applications shows the same care in the selection of risks indicated by the figures in the preceding statement. The same examination proved that all unquestioned claims are adjusted and paid with great promptness. The Association, in common with others organized on the same plan, is obligated to report in detail a list of

claims compromised, a requirement not made of legal reserve companies. I have made an exhaustive examination of all these cases settled in 1905, and a list of the same with notes and comments made from the evidence and correspondence on file in the Association's office, is filed with this report. While the Association has enforced strictly the provisions of its policy contracts, it seems to have been just in the treatment of individual policy holders.

The two clauses in the policy or certificate under which most of the contested claims are made are as follows:

"Article XII, Section 1. If any member of this Association shall use alcoholic stimulants or narcotics to such a degree as to impair health or produce delirium tremens, or shall die from drunkenness, or while intoxicated, or in consequence of keeping or visiting unlawful or disreputable resorts, or as the result of a duel, or as the result of any unlawful act, then, in every such case his certificate shall be null and void, and all rights and benefits and all monies paid shall be absolutely forfeited."

"Section 2. If any member of the Association shall die by his own hand or act, whether sane or insane, whether the act be voluntary, within five years from the date of his certificate, or shall at any time suffer death in consequence of the violation of any penal law of any state or government, then his certificate shall be void and cease to be binding upon said Association, but the Association within ninety days after satisfactory proof of such death, upon demand therefor and presentation of the certificate of membership to the Home Office within one year from the date of death of such member, but not afterward, shall pay to the beneficiary the amount which the insured has paid to said Association which shall be in full payment of all liability of this Association under this contract or by reason of said insured's membership in said Association."

Members are given the right to be heard before their certificates are canceled under Section 1, above quoted.

The Association's methods of keeping its records, books and accounts are most complete, systematic and businesslike. All the book entries are full and clear, and a thorough system of checking and verification is used in all departments. This fact greatly facilitated the work of examination, and a balance of the accounts was easily and quickly obtained.

This examination of the association was made while Mr. Temple was president and in full charge, and the above report shows conclusively that the association at that time was being honestly and conservatively managed.

There is no question that had Mr. E. E. Clark, who assumed the presidency after Mr. Temple's death, conducted the association under the same strict business principles which his predecessor had adopted the Bankers Life Association could have continued indefinitely and in a very few years would have been the largest life insurance institution in the United States. At the time of its demise it was the ninth largest institution, and the amount of insurance gained each year in proportion to the whole amount in force was 25 per cent greater than in Legal Reserve life insurance companies.

Association Experienced a Phenomenal Growth.

The Bankers Life Association experienced a phenomenal growth during the 32 years of its existence.

The following comparisons will not only illustrate its phenomenal growth but will also show the amount of death claims paid in proportion to the premiums received.

The Bankers Life Association was organized in July, 1879. On December 31st, 1911, just 32 years after the association commenced business, it had \$490,604,500 insurance in force.

During 1911 the premiums received were \$5,123,839.

The income from interest and other receipts for 1911 amounted to \$1,996,821; the total income for the year was \$7,120,660; the death claims paid \$3,605,689. Thus it will be seen that 70.3 per cent of the premiums collected in 1911 were returned to the beneficiaries in death claims, and 50.6 per cent of the total income of the association in 1911 returned.

The Fidelity Mutual Life Insurance Company of Philadelphia was organized in 1879. On December 31, 1911, 32 years later, it only had \$128,290,057, yet it collected in premiums in 1911, \$4,741,405. Interest and other receipts amounted to \$1,269,551, making a total income in 1911 of \$6,010,956. The death

claims paid in 1911 were \$1,704,742. 35.9 per cent of the premiums received were returned to the beneficiaries as death claims, and 28.3 per cent of the total income of the company was returned as death claims.

The Bankers Life Association had almost four times as much insurance in force at the end of 32 years as did the Fidelity Mutual.

Mutual Benefit Comparison.

The Mutual Benefit Life Insurance Company was organized in 1845. December 31, 1909, 64 years later, it had \$502,179,900 of insurance in force, or only \$12,000,000 in excess of the amount the Bankers Life secured in 32 years, which is just one-half the time. In 1910 the Mutual Benefit collected in premiums \$18,363,366. The interest and other receipts amounted to \$6,156,598, making a total income for the year of \$24,472,964. The death claims paid in 1909 amounted to \$5,639,691. Thus it will be seen that the company only returned 30.7 per cent of the premiums received for the year to the beneficiaries in death claims and 23 per cent of the total income was paid in death claims.

New York Life Comparison.

The New York Life Insurance Company was organized in 1843. December 31, 1914, just 71 years later, the company had \$2,347,098,388 insurance in force, which was less than five times the amount of insurance the Bankers Life Association secured in 32 years.

Had the Bankers Life Association continued in business and increased in after years in the same proportion it had increased in the last 10 years of its existence when the association had attained the age of 52 years it would have the same amount of insurance in force the New York Life had in 71 years. In 1914 the New York Life collected in premiums \$90,467,178. The interest and other receipts amounted to \$35,470,709, making a total income for the year of \$125,837,887. The death claims paid amounted to \$26,230,268. Thus it will be seen that only 29 per cent of the premiums collected for the year was returned as death claims, and only 20.6 per cent of the total income was returned to the beneficiaries as death claims.

Another very interesting point may be gleaned from the New York Life illustration. In 1914 the interest and other receipts of the company amounted to \$35,470,709 and the death claims paid was only \$26,230,268. Therefore it will be seen that the company received from interest and miscellaneous sources other than the premiums paid by the members \$9,240,541 more than was paid to the beneficiaries in death claims. In 1910 the interest and other receipts received amounted to \$27,129,707 and the death claims paid amounted to \$23,726,135. Therefore the company received from interest and other receipts \$3,402,572 more than was paid in death claims. As the amount received from interest and other receipts has gradually increased each year for the last five years it must clearly be seen that the policy holders are required to pay premiums greatly in excess of the cost of the insurance.

The expense of management of the New York Life is more than double the expense of the Bankers Life Association for an equal amount of insurance in force.

The amounts collected from the policyholders by the Legal Reserve companies for managing expenses is another very important point to be taken into consideration.

The Spectator Company's year book for 1909 shows the expense rate for each thousand dollars of insurance carried by twenty-five leading old line companies. The lowest rate reported for the year 1908 is \$5.70 and others range up to \$10.20 expense for each thousand dollars of insurance carried. The average of all these companies is \$9.20 per thousand for the last twenty years. An idea of the amount of saving in expense to the members of the Bankers Life Association may be gained from the fact that had this Association expended in 1909 the average used by other companies, it would have cost \$3,577,218 more to carry the insurance. A saving of over three million five hundred thousand dollars on this item in one year goes far to explain the low cost at which its members have had their insurance, and shows that the managing expense of the Association costs very much less than the same service costs under the Legal Reserve system.

The Bankers Life Association was always severely attacked by the repre-

sentatives of the Legal Reserve life insurance companies. The existence of this condition is only natural. This Association was a very strong competitor for the Legal Reserve companies.

Assessment Plan of Insurance Unjustly Discredited by Legal Reserve Agents.

In order to counteract the competition encountered through the Bankers Life Association, the agents were compelled to discredit the stability of the Association. If the Legal Reserve agents were to admit that the Bankers Life Association would be able to pay their death claims, where the small premiums were collected, it would be impossible for them to sell the high-priced insurance.

The Legal Reserve companies have large sums of money belonging to the policyholders, with which to secure the services of the most competent and intelligent men, who were ever ready to cast some reflection against the stability of this famous Association; and it is remarkable that so many cunningly devised arguments, misleading in almost every respect, could be devised which could be used by their agents, to prevent a prospect from purchasing insurance in the Bankers Life Association.

A large percentage of the insuring public are either unwilling or unable to pay the exceedingly high rates collected by the Legal Reserve old line companies and do not desire the so-called investment and similar features so strongly exploited by these companies. What the people need most is PURE PROTECTION, furnished by a system of insurance that make certain that death or disability benefits promised will be paid, and this protection must be supplied at the minimum of cost.

The Mutual Life Assessment Associations afford the only system by which pure protection can be secured at a just and adequate rate to the members.

If the many associations of this class would continue in business until their membership would not fall below a given number, and the members dying being replaced by new members of approximately the same age as those dying were at the time they joined, then, after the lapse of a stated period, the greatest length of which could not theoretically be more than the average life of the members of the youngest age at entry and the oldest age at death—and, in fact, the lapse rate would greatly shorten this period—a time would come when the cost would attain a uniform or level amount from year to year.

The annual interest income derived from the investment of funds accumulated from the savings from mortality expense during the early years of the Association augmented by money derived from lapsed members could be used to still lower the annual cost to the members and the principal sum invested could be held as a surplus or reserve fund to strengthen the Association should a sudden increase in the mortality expense occur.

Thereafter no reserves would be required. The excess premiums paid by the younger members would offset the deficit occurring in the amount paid by the older members and would meet this deficit in after years. In such cases insolvency would never overtake an honestly managed association. In fact, the annual cost would tend to grow lighter because of the now well-known truth that owing to improved sanitary conditions, a practical conquest of many of the most deadly contagious diseases by medical science and the mitigation of the ravages of others, the average term of human life is gradually increasing, particularly in the United States.

The experience of the Bankers Life Association for the last twenty years of its existence clearly shows that it had arrived at this condition at the time the change was made.

If other assessment associations are able to pay their legitimate death claims in full, during the time they are attaining what may be termed the "safety period," and in addition thereto create a large and substantial reserve and surplus, why are not the assessment associations just as secure as the legal reserve companies?

Why should the standard, which requires the members to pay excessive and unnecessary premiums in order to create reserves, which are only an imaginary asset for the members, be used to measure the solvency of life insurance concerns?

CHAPTER II.

Life Insurance and Its Benefits.

The Bankers Life Association was organized under a plan which simply required the members to pay premiums each year sufficient to meet the estimated mortality and managing expense.

The Reserve Fund which is required to offset the increasing cost of the current mortality expense is created from moneys forfeited to the association by lapsed members, interest earned and profits made from loaning the association's assets.

The Bankers Life Association operated most successfully for over 32 years and accumulated a very large and adequate reserve fund, yet the members were required to contribute very much smaller premiums than those required by the companies operating on the Legal Reserve system.

Life insurance is a sum of money which is payable to a third party called the beneficiary upon the death of the policy holder by an incorporated body of policy holders called the company or association.

A Life Insurance company or an association is a distributing and not a producing organization. The company or association simply affords a plan for the collection of contributions made by the members which is to be distributed in stated amounts to a designated beneficiary. The amount stated in the policy (the contract between the policy holder and the company) to be paid to the beneficiary is called the death claim and the death claim may be all or only a part actual insurance.

Where a policy holder is insured by a Legal Reserve company the death claim is made up of actual insurance and the insured's own cash called a self-insurance fund.

Under the Assessment plan of conducting a life insurance company the death claim is practically all actual insurance.

Legal Reserve Companies Not Absolutely Safe.

The principle of Legal Reserve Life Insurance from a theoretical standpoint will give the casual observer the impression that it affords a plan which is absolutely safe and under normal conditions this is true, yet it is possible for contingencies or emergencies to arise which would render a Legal Reserve policy even more worthless than it would be had it been issued on the Assessment plan. The reason for this is that under the Legal Reserve policy the contract does not provide for the collection of premiums in excess of those stipulated in the contract and as the basis for calculating these rates are based on the number of people dying each year as shown in the American Table of Mortality, should an epidemic or war occur which would cause an increase in the death rate of the company in excess of the number shown in this table, the company would be required to pay any excess mortality expense from its surplus and when the surplus is consumed the company would be required to pay additional unpaid death claims from its reserve funds which would require the appointment of a receiver to liquidate its affairs. Therefore, failure would be inevitable.

If the insurance was purchased from an Assessment association should the same conditions arise the officers would be in a position to increase the assessments which would enable the association to pay its death claims and if the assessments were increased 33⅓% the annual cost to the insured would not be in excess of the premiums paid under a Legal Reserve policy.

Under the Legal Reserve plan the members are required to pay for the maximum mortality expense which is possible to occur while under the Assessment plan the members are only required to pay the minimum or actual mortality expense with a provision giving the association the right to increase the assessments should an increase in the mortality expense occur.

Life insurance is the only thing that has to be purchased where the more you pay for it the less you get.

Where an Ordinary Life or any other form of permanent insurance is purchased on the Legal Reserve plan the company assumes that the policy will be carried until the death of the insured. Therefore, it assumes that at some time it will be necessary for it to pay the death claim stated in the policy. Should the policy be lapsed any year the company derives a profit therefrom which is not returned to the insured. It may be charged to the surplus account

but the members derive no benefit from the surplus and will not unless the company is compelled to resort to the surplus in order to pay its death claims. Therefore, it must be plain that where a Legal Reserve policy is purchased should the death of the insured occur, the premiums paid in excess of the cost of assessment insurance is a total loss to the insured's estate, and should the insured live and surrender his Legal Reserve policy in later years for its cash value, there is also a heavy loss to the insured. Had the insurance been purchased on the Assessment plan, although the Assessment policy will have no cash value in after years, yet if the insured will keep the difference in premiums and invest the same at a fair rate of interest, the amount of his accumulated investment at the end of any year will be in excess of the cash value he would be able to receive for his Legal Reserve policy should he surrender the same.

Illustration Showing Comparative Cost.

In order to illustrate this point we will here draw a comparison between a \$2000 certificate purchased at age 40 in the Bankers Life Association January 2, 1892, which would include twenty payments prior to the time the change was made, and a Legal Reserve Ordinary and 20 payment Life purchased at the same age.

As we have secured the amount of each assessment from year to year which the members were required to pay since 1892, the following illustration will be based on the actual annual cost. It will also be noticed that there was a very small increase in the annual cost for the 20 years covered by this illustration.

We have used the average non-participating premiums for the Ordinary Life and also the 20 payment Life forms. The participating companies claim that the insurance purchased from their companies will cost the insured less than where it is purchased from the non-participating companies. If this is true the results will be more favorable to the insured where the insurance is purchased from the participating companies than those shown below.

Let us suppose that A and B at age 40 each purchased \$2000 of life insurance. A purchased his from a Legal Reserve company on the Ordinary life plan for the average annual premium of \$51.70. This policy will have cash, loan and extended insurance values any year after the third. B purchased his \$2000 insurance from the Bankers Life Association for the annual cost of \$16.00 which the association charged in 1892. While it is true he paid \$40.00 into the guarantee fund, yet as this \$40.00 would be returned to his beneficiary upon his death in addition to the face of the policy it will not be considered in the cost of his insurance.

A would be required to pay \$51.70 in one cash payment at the beginning of the year while the cost of B's policy the first year, which was \$16.00, would be payable quarterly. Therefore B would have the use of three-fourths of his premium for three months, one-half for six months and one-fourth for nine months.

Instead of purchasing his insurance in a Legal Reserve company B figured that it would be better for him to secure his insurance at as small a cost as possible and invest the excess premium in a way where it would not be lost to his estate upon his death.

As A paid \$51.70 for his insurance and B only paid \$16.00 he had the difference in premiums of \$35.70 to invest the first year.

At the end of the first year or at the time it was necessary to pay the second premium the interest worth at 5% of the difference in premiums which is \$1.78 would increase the difference in premiums to \$37.38.

The second year B was required to pay \$18.40. The difference in premium of \$33.30 added to the \$37.38 gives a total of \$70.68 at the beginning of the second year. The interest worth of this amount for the second year, which is \$3.53, plus the \$70.58 would give a total of \$74.31 at the end of the year or at the time the third premium was due. Continue this operation to the end of the 20th year the following table will show the amount of the accumulated savings and interest each year:

Year.	B. L. Pre.	L. R. Ord. Life Pre. For \$2000	Dif. in Pre.	Dif. in Pre. Plus 5% I. W.	C. V. on A's Pol.
1	\$16.00	\$51.70	\$35.70	\$ 35.70
2	18.40	51.70	33.30	37.48
3	18.40	51.70	33.30	74.31	\$ 72.00
4	18.40	51.70	33.30	112.99	104.00
5	14.80	51.70	36.90	157.38	140.00
6	17.60	51.70	34.10	201.05	172.00
7	17.60	51.70	34.10	246.90	206.00
8	18.40	51.70	33.30	294.21	242.00
9	17.60	51.70	34.10	344.72	278.00
10	20.00	51.70	31.70	395.24	318.00
11	18.00	51.70	33.70	450.38	356.00
12	20.00	51.70	31.70	506.18	398.00
13	20.00	51.70	31.70	564.77	440.00
14	20.00	51.70	31.70	626.29	484.00
15	20.00	51.70	31.70	690.88	530.00
16	21.60	51.70	30.10	757.02	570.00
17	20.00	51.70	31.70	828.15	610.00
18	20.80	51.70	30.90	902.00	652.00
19	22.40	51.70	29.30	977.86	694.00
20	22.40	51.70	29.30	1057.51	736.00

It will be seen that at the end of any year after the third A's policy will have a cash or loan value as shown in column 5. Yet the accumulated savings on B's policy are considerably in excess of the cash or loan value on A's policy.

Upon A's death he would leave an insurance estate of \$2000.

Should B's death occur he will leave an insurance estate of \$2000 and in addition thereto his accumulated savings.

Should A become financially embarrassed and wish to borrow the loan value of his policy he will be required to pay the company 5 or 6% for the use of the same and should his death occur any time before the loan is repaid, the amount of the loan will be deducted from the face of the policy.

Under the Assessment policy B can have the use of his accumulated savings any year and should his death occur the \$2000 insurance estate will be left intact for his beneficiary.

The 20th year A's policy will have a cash value of \$736.00. Therefore the actual insurance remaining in the \$2000 death claim under the Legal Reserve plan will be the difference between the cash value of \$736.00 and the death claim of \$2000, which is \$1264.00.

As B did not pay the company the excess premium, in order to create the reserve or cash value his \$2000 death claim is all actual insurance and should his death occur he will leave \$2000 death claim plus the accumulated savings of \$1057.51 or a total of \$3057.51 instead of \$2000 under A's policy for the same outlay of cash.

In 1914 the annual cost under the Bankers Life Assessment policies reached the maximum which was 63% of the guarantee fund. Therefore, B's \$2000 of insurance in 1914 would cost him \$25.20. Before the annual cost could be increased beyond this amount the entire reserve fund of over \$13,000,000 would have to be entirely depleted. As it will be many years if ever, before this will occur B's \$2000 of insurance will not cost him in excess of \$25.20 per year.

B's accumulated savings the 12th year amounts to \$506.18. If B will invest his \$506.18 in bonds paying 5%, the interest worth, which is \$25.30, will pay the maximum cost of his \$2000 insurance each year as long as he lives, and upon his death he will leave an insurance estate of \$2000 plus the bond estate of \$506.18, or a total of \$2506.18 instead of \$2000 which is the amount A's beneficiary would receive for the same identical outlay of cash. Thus it will be seen that if B will invest an amount at 5% equal to the difference between the cost of the assessment and the legal reserve policy and leave the interest to accumulate with the principal (and surely a dollar of interest is as good as the

dollar that produced it) at the end of the 12th year he will have what the legal reserve insurance companies call a paid-up policy which is really a "paid-up" insurance and bond estate of \$2506.18.

As the above illustration shows the results to be so strongly in favor of the assessment insurance we will compare a \$2000 certificate purchased January 2nd, 1892, from the Bankers Life Association with a 20 Payment Life policy of \$2000 purchased at the same time and also at the same age of the insured for the average annual non-participating premium of \$66.92.

Under this comparison we will assume that A at age 40 purchased a \$2000 legal reserve policy for the average annual premium of \$66.92. This policy would give a so-called paid-up policy at the end of 20 years or at age 60.

The cash value under this policy at the end of the 20th year is \$1254.00. This represents the amount improved at 3½% compound interest, which A has paid the company in excess of the cost of the insurance for 20 years which would enable him to cease paying premiums after the 20th year.

Let us suppose that B was 40 years old in 1892 and had purchased a \$2000 certificate from the Bankers Life Association at the annual cost, shown in column 2 in the following table, and had invested the difference in premiums at 5% each year and left the interest to accumulate with the principal.

As the premium on A's policy is \$66.92, and B only being required to pay \$16.00 for his certificate B would have \$50.92 to invest the first year. This amount improved at 5% interest would give a total of \$53.46 at the end of the first year or at the time the second premium would be payable.

The second year B's policy would cost him \$18.40. Therefore he would have the difference in premiums of \$48.52 to invest. This amount plus the \$53.46 would give a total of \$101.98. The interest of this amount the second year at 5%, which is \$5.09, added to the principal would give a total of \$107.07, which B would have in his savings account at the time the 3rd premium would be payable.

By continuing this operation to the end of the 20th year the following table will show the actual cost of B's policy and also the actual amount he would have in his savings account at the end of each year including the 20th:

Year.	B. L. Pre.	L. R. 20 Pay Life Pol. for \$2000	Diff. in Pre.	Diff. in Pre. plus 5%	I. W. R. C. V. L. R. Pol. 20 Pay
1	\$16.00	\$66.92	\$50.92	\$ 50.92
2	18.40	66.92	48.52	53.46
3	18.40	66.92	48.52	107.07	\$ 110.00
4	18.40	66.92	48.52	163.36	160.00
5	14.80	66.92	52.12	226.25	216.00
6	17.60	66.92	49.32	289.34	266.00
7	17.60	66.92	49.32	355.59	318.00
8	18.40	66.92	48.52	424.31	376.00
9	17.60	66.92	49.32	497.31	434.00
10	20.00	66.92	46.92	571.44	496.00
11	18.00	66.92	48.92	651.37	575.62
12	20.00	66.92	46.92	733.20	630.00
13	20.00	66.92	46.92	819.12	702.00
14	20.00	66.92	46.92	909.34	776.00
15	20.00	66.92	46.92	1004.07	856.00
16	21.60	66.92	45.32	1101.85	930.00
17	20.00	66.92	46.92	1206.20	1006.00
18	20.80	66.92	46.12	1314.93	1086.00
19	22.40	66.92	44.52	1437.92	1168.00
20	22.40	66.92	44.52	1556.56	1254.00

By referring to this table we find that at the end of the 3rd year A's policy would have a cash value of \$110.00 while the difference in premiums invested at 5% that B would have, amounts to \$163.36.

The 10th year A's policy would have a cash value of \$496.00, while the accumulated cash and interest worth under B's policy, shown in column 5, would amount to \$571.44.

At the end of the 20th year A's policy would have a cash value of \$1254.00, while B's accumulated savings and interest worth would be \$1556.56.

Upon A's death he would leave an insurance estate of \$2000, while under B's policy he would leave an insurance estate of \$2000, and in addition thereto his accumulated savings and their interest worth.

Should they both die the 5th year A's beneficiary would receive \$2000 while B's beneficiary would receive \$2000 plus the savings in premiums and interest of \$226.25.

Should they both die the 20th year A's beneficiary would receive only \$2000 for the extremely high premiums paid and B's beneficiary would receive \$2000 of insurance plus the savings in premiums and their interest worth of \$1556.56 or a total of \$3556.56 for the same amount of cash outlay.

A was required to pay the company during the 20 years enough money in excess of the actual cost of the insurance estate to create a cash value of \$1254.00.

As we have adopted the premiums charged by a company operating on the 3½% basis the interest worth of \$1254.00 at 3½% will pay the cost of the actual insurance remaining in the policy (the difference between \$1254.00 and \$2000) which is \$746.00, and in addition thereto create a reserve or cash value equal to the face of the policy at the end of 56 years which is age 96. At the end of the 20th year he would have what the Legal Reserve companies describe as a paid-up policy.

We will take as a basis the maximum cost of B's certificate as shown above in the Ordinary Life illustration to be \$25.20. The actual cash at the end of the 10th year under B's policy will be \$571.44. 5% on this amount, which is \$28.57, will pay the maximum cost on B's policy of \$25.20 and leave a balance of \$3.37 each year for life. Therefore, if B should desire to cease paying premiums on his certificate it would only be necessary for him to save the difference between the cost of his certificate and a 20 Payment Life each year and invest the same at 5% and at the end of 10 years his certificate would be paid up.

Of course A's policy the 20th year will have a cash value of \$1254.00, yet if B will continue paying the premiums on his assessment certificate and invest the difference in premiums each year, at the end of 20 years he will have \$1556.56.

Should A desire to use the excess cash which he had paid the company in order to secure what he thought would be a paid-up policy at the end of the 20th year he would be compelled to secure the money from the company as a loan, and should his death occur the loan would be deducted from the policy and his beneficiary would only receive \$746.00. Under B's policy he would have \$1556.56 to use and should his death occur he would leave a \$2000 insurance estate.

The cost of A's \$746.00 insurance each year if the loan remained unpaid would be the 5% interest on the loan of \$1254.00, which is \$62.70, while B would have the use of his accumulated cash of \$1556.56 and in order to carry a \$2000 insurance estate he would only be required to pay the maximum cost of \$25.20.

Therefore A's \$746.00 insurance estate would be costing him \$62.70 while B's insurance estate of \$2000 only cost him \$25.20. It must be plain to the reader that if a true balance of A's and B's accounts were obtained, the results under the Assessment plan of insurance would be a great deal more favorable to the insured than under the Legal Reserve plan.

The above illustration and comparison can be used to explain another very objectionable condition which exists where Legal Reserve insurance is purchased.

Under the Legal Reserve Ordinary Life policy A is required to pay an annual premium of \$51.70; while under the Twenty-Payment policy purchased from the same company at the same time he would be required to pay \$66.92. Should his death occur any time during the first twenty years, the company would pay the same amount, (\$2,000) under each policy. The excess premium of \$15.22 required for the Twenty-Payment policy is charged to enable A to cease paying premiums after twenty years.

As the company would pay the same death claim under each policy, it can be clearly seen that the excess premium of \$15.22 paid each year to the company to the date of A's demise would be a total loss to his estate. If the

company can afford to pay a \$2000 death claim for the annual premium of \$51.70 for twenty years, why should it charge \$66.92 each year for the same identical benefit? Is this not a gross injustice?

One of the strong arguments used by the Legal Reserve companies in order to sell their Limited Payment policies, is that by purchasing his insurance on this plan, the policyholder is enabled to pay for it during the productive period of his life, and the company is held to be a great benefactor on account of granting A this privilege. They do not explain to A that should his death occur during the twenty years, the excess premium of \$15.22 paid to the company each year will be a total loss to his estate. Does it not prove conclusively that the company is using this argument as a hoodwink to induce A to pay the exceedingly high premiums required for the Twenty-Payment Life policy.

The reserve or cash value accumulated on the Ordinary Life policy the 20th year would be \$735.26 while the reserve or cash value accumulated to the credit of the Twenty-Payment Life policy would be \$1,253.84. Who gets the difference in reserve or cash values of \$518.58, should A die the 20th year? Would this not be a very heavy penalty to impose on A should his death occur? Why does not the company return the excess accumulated reserve of \$518.58 to A's beneficiary with the \$2000 death claim at the time of his death? Does the confiscation of A's extra cash to the amount of \$518.58 seem like a "square deal"?

The Legal Reserve system of Life Insurance from a theoretical standpoint and also the company's financial interests may be correct, but when applied to the insured, unjust and unreasonable premiums are required.

In many instances the policyholders are required to pay excessive premiums for benefits which it is absolutely impossible for them to receive.

A very large percentage of their policyholders know but very little of the true principles of life insurance, and the companies are taking advantage of this lack of knowledge by inducing the insuring public to purchase forms of policies which are not consistent with prudent business principles. Experience thus far clearly demonstrates that the most objectionable forms of policies are sold to the most inexperienced purchasers.

The principle of life insurance, when taken as a separate factor, can very readily be understood, but when combined with the principle of saving or investment, it becomes a most complicated problem—in fact, the officers of the Legal Reserve companies are unable to explain their mysteries.

Life insurance companies are conducted upon some plan in which the legitimate cost is regulated by the hazard, and, inasmuch as all losses are paid from the proceeds of premiums or assessments collected from the insured, it follows that all policyholders insure each other, and the company or association is simply the means through which collections and distributions are made. On account of the Legal Reserve policies having large reserve values and the insured's being given the privilege of surrendering the policy any year after the third for its reserve or so-called cash value, these companies have educated their agents and also a large percentage of the public to believe that on account of the insured's being able to surrender his policy in after years and receive the large cash value, that it affords a system of investment.

To any person really understanding the true principles of life insurance this contention is so absolutely false that, if it was not for the pathos connected with the deal, it would become almost ridiculous.

A life insurance company has but one object;—it furnishes a system whereby losses caused by the death of the insured may be equally distributed over a large number of persons, and when premiums are exacted from the members in excess of the proportionate amount they should contribute to pay the actual claims and legitimate managing expenses, a great injustice is at once perpetrated upon the policyholders.

The Legal Reserve companies educate their agents to sell life insurance by illustrating to the insured what HE can receive by surrendering his policy, instead of the amount which will be payable to the beneficiary.

If the policyholder will purchase his life insurance for PROTECTION ALONE and only pay an adequate premium for the same, he will be taking no chances of losing the excess premium required for the Limited Payment and "investment" forms of policies.

CHAPTER III.

The Change of the Bankers Life Association from the Assessment to the Legal Reserve Plan.

It was most unfortunate for the members that the officers of the Bankers Life Association should betray the trust bestowed in them, and without the consent of the members change the plan of the Association from the Assessment to the Legal Reserve basis. It was perhaps the greatest injustice that was ever perpetrated upon the members of any association, a parallel for which cannot be found in the annals of history.

The officers evidently had estimated that a large percentage of the Assessment business could be twisted to the Legal Reserve plan; but if this was their assumption, the results show that their judgment was very poor, because there has been only approximately 15% of the members who could be induced to abandon the principles they had advocated for many years, and adopt the Legal Reserve system which was diametrically opposed in principles and results.

A large number of those, who have been induced to make the change, are awakening to a realization of the fact that they have made a great mistake.

The agents of the new company have resorted to the most gross misrepresentations in order to induce the members to surrender their low-costing certificates and purchase the high-priced Legal Reserve policies.

There are a large number of former agents of the old Bankers Life who were honest in their contentions and having clung steadfastly to the principles they have advocated for many years, namely—PURE PROTECTION LIFE INSURANCE, firm in the belief that they were giving the insured a fair and equitable contract.

The change was certainly a hard blow to a large majority of the agents who had devoted the best years of their lives to the building of the Bankers Life Association. They had been educated to believe that the Bankers Life Association afforded the only true plan for securing pure unadulterated life insurance.

The fact that the officers were unable to induce many of the former agents to disregard their former principles should be conclusive evidence that they were honest and upright men. Rather than reap a golden harvest by switching the old members to the Legal Reserve plan which has been so vigorously attacked for many years, these agents have been forced to find employment with other stipulated premium companies, or in other lines of business.

First Movement Toward the Change.

It is hard to tell just when, or how long, the change had been planned before it was really put in action. It is quite evident that the first movements toward the change was the passing of the law in the state of Iowa which would give to the officers the apparent right to make the change without the consent of the members. There is no doubt that had the noble founder, Mr. Edward A. Temple, lived until this time, the original plan of the Association would never have been changed.

Mr. Temple's death occurred in February, 1909, yet the law referred to above was passed in 1907; but it must be remembered that Mr. Temple was in Florida for several years before his death endeavoring to recover his health. The present officers, who were sure to retain control of the Association after Mr. Temple's death, evidently were anxiously awaiting the demise of the one who stood in the way of the distribution of their inheritance. The itching palm was held in abeyance only by the noble founder who had so gloriously defended and managed the Association for over thirty years.

The first movement in the direction of the change made public to the agents was a letter sent out by Mr. Kuhns himself on the 17th of May, 1911, of which the following is a part:

May 17, 1911.

Dear Sir:

All insurance companies except the Bankers Life have put forth a great deal of energy to keep their policies in force, but beyond sending a second notice by registered mail and a letter asking the member to reinstate, nothing

has been done by this company in that direction. After all legitimate expenses are paid, the association has ample means in the contingent fund to properly care for this portion of the business, and, as a compensation to be given in keeping the business on the books, a single renewal commission will be paid for the present, and its payment will be governed by the following rules:

"The renewal commission will be based upon the insurance in force during the year preceding the first of September, 1911, and on which the guarantee note is yet to be paid. It will be paid in monthly installments.

The allowance for renewal commission will be cut off should any agent receiving it carry supplies of, or solicit business for any other insurance company or association.

The installments of renewal commission will cease to be paid upon the termination of your agency from any cause."

THE BANKERS LIFE ASSOCIATION,

By Kuhns.

The establishing of the system to pay the agents a renewal commission was simply a plan to prevent them from deserting the Association when the drop fell. It is quite evident that it was not necessary to pay the agents a renewal commission in order to secure their services, as the Association had one of the largest and strongest agency organizations at the time of its demise; therefore, it is evident that the renewal plan was simply adopted to hold the agents. It has been variously estimated that approximately \$1,000,000 was paid to the agents in renewal commissions prior to the time the change was made.

Where Was the Money Obtained to Pay Renewals?

Now the question naturally arises, where did the officers get this money?

Section 4 of article 10 of the amendments to the articles of incorporation of the Bankers Life Association, which is a part of every certificate issued by the Company, provides that the reserve fund shall be made up of various items (as explained in the first chapter) among which was "all unused surplus arising from the contingent fund." This was a part of the contract.

It was the popular boast of the agents that they did save on the contingent fund, and on page 19 the printed report of the 1906 examination shows that \$120,000 had been saved and transferred to the reserve fund, and that during the first six months of 1906, \$60,000 more had been saved from the contingent fund and transferred to the reserve; but we cannot find a single record of the transfer of a penny after the day of the noble president's death.

When he died, it is quite evident that virtue departed from the Association. The surplus was kept, piled up in violation of an express contract and finally misappropriated. This is undoubtedly the money that paid the bill; this is the money that should have been making the contract of every member safer and better.

It is significant that there was never another general report of an examination of the Company submitted to the public, or given to the agents and members for general distribution. It is evident that the funds of the Company in later years were not handled as the policyholders were led to believe.

On the 24th of September, 1911, the St. Louis Globe Democrat published in its insurance notes a statement that an examination of the Bankers Life Association was being made by Actuary S. H. Wolfe, preparatory to a change on the old line basis. The statement was sent to Mr. Kuhns by one of the agents, and the following is his answer:

September 27, 1911.

Dear Sir:

Replying to yours of September 24th: The item adopted in the Globe Democrat which you enclose comes from an article published in the New York Independent. The Independent article prophesies that some time or other the Bankers Life would change to a Legal Reserve basis.

You may not know and fully understand the object the Independent has. It makes a business of attacking this Company, and the old line agents demand this sort of attack so that the paper will be useful to them in competition and they care little for the truth or veracity of any article concerning this Company. You may say to any one who asks you that the "rumor" is

unfounded and that the question has never been acted upon by the Board of Directors. It is an old, old story that is brought forth each season for at least twenty-five years.

The competing old line agents seem to think that it is the easiest way to answer a man who says he is going to take a policy in the Bankers Life. You should pay no attention to what is published in the Independent or anything that is inspired by it.

Very truly yours,

THE BANKERS LIFE ASSOCIATION,

By Kuhns.

The important features in the above letter is first, Mr. Kuhn's explanation that the New York Independent simply prophesies that some time or other the Bankers Life would change to a Legal Reserve basis.

It seems queer, does it not, that Mr. Wolfe, the actuary, should be making an examination of the Bankers Life Association and that the Independent should "simply prophesy" that some time or other the Association was going to change; this was never prophesied before.

You will notice that Mr. Kuhns claims that the Independent attacks the Bankers Life Association about every so often in order to make it valuable as a canvassing document for the Legal Reserve agents in their attack upon the Assessment plan of life insurance.

There is no question that this statement is true, and it is on account of its being the truth that made it easy to pull the wool over the agents' eyes and lead them to think that the article in the Independent was simply the regular annual attack made by it upon the Bankers Life Association.

It will also be noticed that Mr. Kuhns orders the agents not to pay any attention to what is published in the Independent or anything inspired by it.

We will say in answer to this, that, if the public was to follow Mr. Kuhns' instructions to the letter, the Bankers Life Company would derive but very little benefit from their extensive and also expensive advertisement which has appeared in the Independent for some time.

The date of this letter was September 27, and, yet Mr. Kuhns states that it is only a "rumor" which is entirely unfounded.

In just fifteen days after the date of the above letter Mr. Kuhns sent a letter to all agents of the Bankers Life Company, as follows:

To All Agents:

October 12, 1911.

The agents of competing companies are busy circulating a report which emanated from a hostile insurance journal published in New York. You may say to any of our policyholders or prospective applicants that the statement that this Company is going to change its members over to the old line basis is absolutely false. No change whatever is to be made in their contracts and the statement, that liens will be placed against their policies and their rates raised to old line rates, is a lie pure and simple.

THE BANKERS LIFE ASSOCIATION,

By Kuhns.

Notice the date of this letter.

See how strong Kuhns makes the declaration that the Company is not going to change to the Legal Reserve basis. He says that any statement to the effect that the Company is going to change its members over to the old line basis, is absolutely false.

Does it seem reasonable to suppose that Kuhns did not know at the time this letter was written that the officers had contemplated changing to the Legal Reserve basis? Does it seem possible that the officers could change their minds and complete the preparations which would be necessary to change this gigantic organization to the Legal Reserve basis in this short space of time? The amendment to the articles of incorporation permitting the change received the O. K. of the Iowa Insurance Department, November 23, 1911.

First Notification of the Change.

Perhaps the first authentic information which the agents or the public received stating that the Company intended to make a change was through a letter sent out to all agents on October 12, 1911, which served as an opening wedge for the destruction of the famous Bankers Life Association.

This letter was as follows:

October 12, 1911.

To All Agents:

For some time we have had in mind doing away with the guarantee note and membership fee and making a flat rate, just so much a thousand per year. Under the present arrangement a great deal of misunderstanding arises from the fact that the first payment does not cover the insurance for a full twelve months' period. Our present policy is issued and accepted as a quarterly renewable term contract without any guarantee as to what the rate will be and with no rate stated. Within thirty days we shall issue in place of the present policy a renewable term policy with a stated rate guaranteed for ten years. The rate is scientifically constructed, and each year, beginning at the end of the second year, the savings will remain to the credit of the policyholder and be applied to reduce his succeeding premium payments. On the enclosed card you will find a table of rates.

Very truly yours,

THE BANKERS LIFE ASSOCIATION.

Is this letter not an admission on the part of the Company that they intended to change to the level premium basis? It certainly so states. It will be noticed that this letter was sent out on the same date Kuhns sent his letter "To All Agents." It broke the news to the agents that the Bankers Life Association was to be changed to the Legal Reserve basis, which meant the beginning of the end of the Bankers Life Association.

Note what this letter states:

"For some time we have had in mind doing away with the guarantee note and membership fee and making a flat rate, just so much a thousand per year."

We are wondering how long the "some time" really meant. Then again it says "for some time we." Who is meant by "we"? It surely could not mean the Board of Directors, for Kuhns stated on the same date that the Company (meaning the Board of Directors) had not considered changing to the Legal Reserve basis, and that any statement to that effect was absolutely false.

Also note that the officers say the present contract (meaning the old certificate) is issued without any guarantee as to the premium rates and that in 30 days they are going to issue a contract containing a guaranteed premium.

Guaranteed contracts can only be issued by a Legal Reserve Company; therefore, it clearly indicates that within 30 days the Company is going on a guaranteed premium or Legal Reserve basis. Only 30 days' notice to undo or tear down what had taken 32 years to construct.

Kuhns says they were not considering changing to the Legal Reserve basis. The literature sent out by the Company at that time shows that Kuhns was one of the directors.

We are wondering who was running the Company at that time; they certainly must have gotten their "dates mixed" in awful shape.

It would seem to us that they were floundering around trying to devise some plan whereby they might break the news to the 6,000 agents and also to the members holding 245,000 certificates.

Also notice that the letter states that the rates are "scientifically constructed."

There can certainly be no doubt that this letter was a notice sent out to the agents notifying them that the Company was going to change to the Legal Reserve basis and that they had considered so doing for some time.

In order to obviate the trouble which they had in selling the Assessment Insurance, the Company was going to adopt the Legal Reserve system!

They surely could not have had a great deal of trouble because the Association in 32 years had been able to place \$490,000.00 of business on their books, and in addition thereto accumulated as assets to the value of over \$17,000,000. The annals of history contain no record to equal the one achieved by this magnificent Association; and yet in the face of this wonderful success the present officers now claim that they were compelled to make the change.

Blevins Breaks News at Banquet.

About the first of November, 1911, the agents in the St. Louis territory were called in to the St. Louis office to meet Mr. C. C. Blevins, a representative of the Bankers Life Association. Dinner was served in an elaborate

way, with gin fizzes, silver fizzes, golden fizzes, high balls, cocktails, cigarettes and the like; Mr. Blevins broke the news in a continued session at the Bankers Life offices in the Frisco building and at the Maryland hotel.

It was but a short time before the change was made that Mr. Clark, the President of the Association, sent out a very strong letter to all of the members urging them to keep their certificates and not allow any of the Legal Reserve agents to induce them to surrender the same under any consideration.

This made it very hard for the honest, conscientious agents of the Bankers Life Association to equip themselves with a full line of Legal Reserve policies and also Legal Reserve literature and go to the members whom they had induced to purchase the low-costing insurance, and try to twist them to the Legal Reserve form of policies. The fact that many of the former agents cast aside their former principles and adopted the Legal Reserve standard simply goes to show the power of money. The agents were led to believe by their superior officers that they would be able to make themselves financially independent by twisting the members to the Legal Reserve plan.

They were told that a large percentage of the members would gladly welcome the change.

Bankers Assist Twisters.

The bankers who were connected with the banks acting as depositaries for the Association were responsible to a large extent for the phenomenal success of the old Association. Their local influence was also used by the agents to induce the members of their locality to make the change.

Several of the agents who worked for the company for a time after the change was made, inform us that the plan of the agents who did the twisting was to go to the banker first and induce him to make the change by giving him a rebate of his commission.

These agents claim that in addition to the rebate offered, the bankers were paid as high as \$35.00 in many cases for each member who was induced to make the change through their influence or by having their signatures on the application. In order to verify these statements we will here publish an affidavit which speaks for itself.

"I, Merlin P. Resch, Cashier of Benton Harbor State Bank, do hereby state under oath, that I was on or about August 10th, 1914, offered by Mr. Hook, Jr., of Detroit, Mich., representing the Bankers Life Co., of Des Moines, the sum of thirty-five (\$35.00) Dollars, if I would change my policy in the Bankers Life Co., of Des Moines, from the Natural Premium Plan, to the Legal Reserve Plan, and give him a letter to that effect. And also I should receive \$10.00 on every policy in this City, changed from the old Assessment or Natural Premium Plan, to the Legal Reserve Plan, as an additional remuneration for said letter.

M. P. Resch.

Subscribed and sworn to before me, a Notary Public, this 11th day of September, A. D. 1914.

B. Percee."

There is no doubt that if Mr. Resch could have been induced to exchange his policy, this unscrupulous agent would have made a "cleaning" in Benton Harbor and vicinity. The \$35.00 which he was to pay Mr. Resch and the \$10.00 for signing each application, would be a very small item in comparison to the 50% commission he would receive on the premiums of those whom he could induce to make the change.

Large Commissions Received by Agents.

In order to show the large commissions made by some of the leading agents who were headliners in the transfer business, we will publish a list of those who received in excess of \$10,000 per year for the year ending December 31, 1913:

E. W. Nothstine, \$70,039.26; De Forest Bowman, \$62,821.63; T. P. Rogers, \$52,096.54; J. T. Kendall, \$33,730.56; G. R. Graft, \$33,349.84; R. E. Lee Jones, \$30,488.41; C. A. Reed, \$30,259.75; O. A. Schenk, \$29,612.64; R. J. Williams, \$25,486.48; C. L. Minshall, \$22,940.62; S. W. Meyerfeld, \$21,940.25; C. H. Willis, \$21,276.29; Max Stephany, \$20,028.81; C. T. Bell, \$19,042.06; William Bacon, \$18,521.72; R. B. Cherry, \$16,449.78; F. E. Hook, \$16,151.37; W. E. Bargar,

\$15,587.37; E. K. Pentz, \$14,022.08; A. F. Smith, \$14,105.11; C. C. Garret, \$12,916.34; L. A. Jacox, \$12,716.97; C. C. Smith, \$12,330.36; J. V. Clark, \$11,701.75; E. T. Van Ostrand, \$11,430.27; H. Turner, \$10,639.78. There are a number of others who received commissions from five to ten thousand dollars each.

In reviewing the report from which the above information was secured, we are reminded very forcibly of a song, which was very popular some years ago, entitled "How Would You Like to Be the Iceman?" The chorus ending with the declaration, "Oh What a Graft," may be well applied to the Bankers Life agent who was so busily engaged in twisting business.

Why Was the Change Made?

The question of why the Bankers Life Association was changed from the Assessment to the Legal Reserve plan was in the minds of perhaps everyone of its thousands of members. This question was also uppermost in the minds of the large corps of agents who were instrumental in making the wonderful success achieved by that old Association. Of course the officers of the Company have had several excuses to offer in their mad appeal for vindication of the injustices perpetrated upon the members and agents.

The first excuse was that the rates were inadequate. In order to determine whether or not this declaration was true, we will show the financial condition of the Company at the time the change was made. The financial report which was filed with Insurance Departments of the several states, in which they did business, does not verify their contention.

That it was absolutely unnecessary to make the change is proven by the fact that these reports, made to the Insurance Department in order to qualify on the Legal Reserve plan, show that the Reserve Fund was \$5,234,915.90. By valuing the \$483,000,000 of outstanding business at the then age of policyholders on the yearly renewable term basis with interest at three and one-half per cent. according to the American Experience Table of Mortality, are shown to be in the official report to require \$3,112,544.04. The report shows cash in the expense fund \$581,988.95. The condition of their reserve according to their quarterly statement shows it to be over \$8,000,000 and proves that the original plan was a success, for did they not have nearly three times the amount in the Reserve that any old line company would be compelled to have in order to comply with the Legal Reserve law, if they had the same amount of the same kind of business with the same ages in force?

Why then should any change be made? Was it because the directors of the Bankers Life Association had succumbed to the desire to collect premiums largely in excess of the actual needs, merely that they might have larger funds to control, larger salaries for officers, etc., as the officials of other Legal Reserve Life Insurance Companies have been accused or charged of doing in the pamphlet entitled "A Square Deal in Life Insurance"? It is easy to understand why the securing of larger funds would be profitable to those who are in control of Mutual Life Insurance Companies.

Hidden Profits.

In the report of the examination made by insurance examiner S. H. Wolfe, it is shown that the treasurer, Simon Casady of the Bankers Life Company, had on deposit in the Central States Bank, of which he is president, funds of the Company amounting to \$227,554.07, on which no interest was being received while six other banks were favored with deposits ranging from \$12,000 to \$102,000 on which interest at from two to three per cent. was being paid. Operations of this character explain very forcibly how the "hidden profits" are obtained by the officers who control Mutual Life Insurance Companies.

The original plan of the Bankers Life, as carried out by President Temple during his life, frowned upon the collection of more money from policyholders than enough for legitimate needs. The Association had been placed in its splendid financial condition on the ridiculously low premiums collected during the early years of its existence. During the last 18 years the greatest annual cost to any members was 46% of the Guarantee Fund while the maximum amount the company could collect annually from the members was 60%, yet the maximum had never been needed. The annual cost to the members has now reached the maximum amount that can be collected until the entire reserve fund of more than \$13,000,000 is entirely exhausted.

If a maximum levy had been made just once within the last five years of the existence of the Association, the excess collected would have been sufficient to mature the policy of every policy-holder age 70 as an endowment. This condition existed in spite of the fact that the Bankers Life wrote members up to the age of 65 in the early years, and for 14 years later wrote members up to the age of 55, collecting from these older members grossly inadequate rates in proportion to amounts collected from the members who entered at younger ages.

Letter from the Iowa Insurance Department.

In order to further disprove the contention made by the officers at the time the change was made to the effect that they were forced to make the change on account of inadequate premiums, we here quote in part a letter from the insurance department of Iowa under date of August 26, 1913, from Mr. C Byrkit, chief clerk of the State Auditor's office of the state of Iowa:

"The Bankers Life Association of this city which had been writing certificates for the past thirty-two years upon the Assessment plan, changed their name November 1, 1911, to that of the Bankers Life Company, and their contract to that of a whole life policy upon the Legal Reserve basis; at the same time ceasing to write assessment certificates. They were not forced by law to make this change, but did so voluntarily.

Out of the wreckage of the many associations of this character, perhaps the Bankers Life has been most successful. First because their selections have proven of the best, practically all are standard risks. This allowed an accumulation from mortality saving. Second, the plan was adopted at the beginning, whereby each applicant paid in one dollar per year of his age, as a guarantee that he would stay with the association. As this association attained a membership of some 165,000 certificates, the sum became large and as the years went by the interest accumulations greatly augmented this sum. Every member who lapsed forfeited his entire interest and principal. The old certificates provided that assessments might, when required, be advanced until such time as the death rates exceeded one per cent of the membership yearly—i. e. ten deaths to each one thousand members—then for the difference between the payment and the actual requirement should be drawn from this reserve.

This entire sum, amounting to practically \$18,000,000 is invested in good interest bearing securities, and is set aside for the uses of the persistent assessment members exclusively, except that if a member joins the company, at his death the reserve only, stripped of its interest, is added to his insurance payments just as was agreed in his old certificate.

It is presumed many of the old members will lapse, either of their own accord, or through the persuasion of agents of other companies, many of whom seem to be unusually busy in the present instance, while many will take the Bankers new policy, hence it is not unreasonable to presume that those remaining will be largely of the older ages, and that their future quarterly payments upon the present contract basis, augmented by the large annual income derived from the invested millions, will reach many years into the future. Then there will be access to the reserve itself, and finally, for the remaining few, (if such exist) proper provision has been made by the new company. Therefore, it is safe to say that the old assessment members of the Bankers Life Association are left in good condition."

This letter clearly shows that it was not necessary at that time to change the Bankers Life from an assessment to a Legal Reserve basis. From the tone of Mr. Byrkit's letter we would naturally infer that the unscrupulous agents not only of the new company, but of other companies were reaping rich financial harvests by changing the members of the Bankers Life from the Assessment to the Legal Reserve plan.

First notice what Mr. Byrkit says in regard to the officers making the change—"They were not forced by law to make the change, but did so voluntarily." Further on he states, "It is not unreasonable to presume that those remaining will be largely of the older ages, and that their future quarterly payments upon their present contract basis, augmented by the large annual income derived from the invested millions will reach many years into the future."

The facts regarding the financial condition of the Association at the time the change was made which have come to light in the last four years so thoroughly disprove the contention that the officers were forced to make the change on account of the adverse financial condition, that they have been compelled to adopt other excuses as a justification for their breaking their faith with the members. The principal one of these is that they were forced to do so on account of adverse legislation.

Another Excuse.

The officers are now making the claim that they were compelled to make the change on account of state legislation, and also unjust rulings by the Insurance Department which were detrimental to the Assessment companies. If this last contention is true, why is it that the other associations (operating on the Assessment plan) can secure the enormous amount of new insurance they are writing, and produce the astounding results they have achieved in the last three years? One of the companies had \$24,048,000 of insurance in force December 31, 1911, and on December 31, 1914, it had \$60,030,000, showing an increase of \$35,982,000 in force in three years.

Another one of the associations had \$25,177,750 of insurance in force December 31, 1911, and on December 31, 1914, it had \$49,582,000, showing an increase of \$24,404,250 insurance in force. The other companies of this class have also made proportionate gains.

If the alleged adverse legislation and unjust rulings which the officers of the Bankers Life Company are using as a subterfuge in the attempt to justify their wrong doings are really true, why is it that these other associations operating on the Assessment basis can make such wonderful progress?

The above evidence should be sufficient to convince any fair-minded persons that the officers of the Bankers Life Association were not justified in breaking their faith with the members, who are responsible for their lucrative positions by forcing them to abandon the principles which induced them to become members of the Association and compel them to adopt a system which was in direct opposition, at least without their permission.

Some of the Unjust Methods Used to Induce the Members to Make the Change

The agents of the Bankers Life Company are using misrepresentations of the basest character in order to induce the members to surrender their low-costing certificates and purchase the Legal Reserve policies. Their actions clearly show that they will resort to any conceivable methods to induce the members to purchase the high-priced Legal Reserve policies in order that their own coffers may be fattened by the liberal commissions they received.

The correspondence sent out by the officers in charge of the agency department at the home office contained a great many misleading statements, if not gross misrepresentations which only goes to show that they sanctioned the unfair tactics resorted to by the agents.

Perhaps the greatest misrepresentation, and the one most frequently used is to the effect that the premium rates or annual cost will at once increase to where they will become prohibitive. Let us analyze this statement and see if it is the truth.

In the Western Underwriter under date of November 11, 1915, will be found an article which is extracted from an address delivered by Mr. Nollen at one of the agency meetings at which time he admits that the annual cost to the assessment members has reached the maximum amount that can be assessed until the entire emergency and reserve fund is exhausted. There is now over \$13,000,000 in the reserve fund and seven and one-half millions in the Guarantee fund, making a total of twenty and one-half millions which belongs to the assessment members.

In the annual report, as submitted by the new Bankers Life Company, December 31, 1914, shows the assets to be \$25,193,077 of which \$20,000,000 belongs to the assessment members. This shows that the new company has less than \$5,000,000 of admitted assets.

Now let us suppose for illustration that the cost to the assessment members should increase to where it would become prohibitive; before this could be done the entire twenty and one-half millions belonging to the old members would be paid out in death claims, and the amount of the guarantee belonging to each member would be returned to the beneficiary as stated in the original *certificate*.

By glancing at the literature now distributed by the new company, it will be found that the officers are boasting of the \$25,000,000 of admitted assets belonging to the new company. If \$20,000,000 belonging to the old members was taken from the \$25,000,000, the \$5,000,000 remaining would make a very poor showing for the new company.

If it is true that the reserve and the guarantee funds now to the credit of the old members is soon to be depleted as stated by the officers, we must say that they are making a very grave mistake in reporting these assets as belonging to the new company because as soon as it becomes necessary to use the reserve belonging to the old members in large quantities, this will show a decrease in the admitted assets of Legal Reserve company, and the agents of the other companies will be only too glad to use this showing in competition with their attacks on the Bankers Life Company, and it can be used with a telling effect.

Former Reputation Unjustly Used.

It is quite evident that the officers are using the splendid record achieved by the old association in a mad effort to build up a large Legal Reserve Company. We are surprised that the Insurance Commissioners of the several states in which the Bankers Life Company is now operating will permit the gross misrepresentations now being made by the officers of the Bankers Life Company by reporting the business of the old association as a part of the new Company. This is absolutely misleading, and open to very strong condemnation.

At the time the change was made in 1911 there were 245,216 certificates in force; December 31, 1914, there were only 194,568 certificates and policies in force. This shows a loss of 50,648 certificates.

December 31, 1911, the whole amount of insurance in force was \$490,604,500. December 31, 1914, there was only \$406,026,266, which shows a loss of insurance in force of \$84,578,234.

The new company now claims to have \$98,000,000 of Legal Reserve insurance in force, and as there has been a very small percentage of new insurance written the \$98,000,000 of Legal Reserve insurance simply represents the exchanged business secured from the original members. Therefore, there has been a small percentage of new members secured to assist in holding the death rate at a level point. This is one of the important causes for the increase in the annual cost since the change was made.

If the average amount of insurance carried by each member was \$3,000, the loss of \$84,578,234 would represent a loss of 28,193 members. In spite of this heavy loss in membership, the annual cost has only increased 7%.

The four quarterly calls during 1911 for mortality expense were 10%, 12%, 12%, 12%, totaling 46%. The last quarterly calls including July, 1915, for mortality expense were 14%, 13%, 13%, 13%, totaling 53%, showing an increase of only 7%. Do these figures verify the statements made by the officers of the company and the agents to the effect that the annual cost would soon become prohibitive?

A large percentage of the \$84,000,000 of insurance which the company lost was lapsed after the members had been induced to change to the Legal Reserve plan. The reason for the heavy lapse of the exchanged business is that the members who made the change found that the agents had either grossly misrepresented the policies to them, or that they could purchase the same form of policy from other Legal Reserve companies at not only a smaller premium, but under more favorable policy conditions.

As a large percentage of these members who allowed their certificates to lapse were first-class physical risks, who could secure insurance in other companies, it is only fair to presume that the death rate among these members would be very small. Therefore, the company being deprived of its income from its preferred risks, the percentage of deaths among the remaining members would naturally increase. This is an important cause for the increase in the annual cost since the change was made.

A careful perusal of the above chapter should prove our contentions that the members were not benefited by the change. The following chapter will show the unfair methods resorted to by the officers and agents of the Company in order to induce the members to purchase the high-priced Legal Reserve insurance.

CHAPTER IV.

After the Change.

There could have been but two motives or reasons for changing the Bankers Life from the Assessment to the Legal Reserve basis. First, for the benefit of the policyholders, and second for the benefit of the officers and directors. If at the time of the change it had developed that it was impossible to continue the Association on the assessment plan then perhaps the officers may be given credit for adopting one of the several alternatives.

If it was not absolutely necessary to make the change at that time, then we will say that the members have had a great injustice perpetrated upon them.

The officers first contended that it was necessary to make the change on account of the financial condition of the Association, i. e., that the Company could not continue on the Assessment plan and be able to pay its future death claims.

Had the premium rates under the Assessment plan proven inadequate it would have been a very easy matter for the officers to have increased the assessments to the maximum, and had this been done, the Association would have been placed in a splendid financial condition.

By placing the Company on a Legal Reserve basis which would require the members to pay two to five times larger premiums for their insurance, the rates at once became prohibitive for a very large percentage of the membership.

As the Legal Reserve system is one which provides for the individual equity of the members, the excess premium collected for the Legal Reserve policies only applies to the members from whom they were collected; therefore, the changing of the Association to the Legal Reserve basis in no way placed the Company on a stronger financial basis.

Had the Association continued under its original plan, the securing of a large number of new members each year would increase the percentage of lapses, thereby increasing the Reserve fund by the addition of the guarantee fund forfeited by lapsed members.

When the officers changed the association to the Legal Reserve basis, they at once placed the company up against the strong competition of the large number of well-established and very powerful Legal Reserve companies. It will be a great deal more difficult for the agents to sell the Legal Reserve than it was for them to sell the Assessment insurance. The agents will also be required to combat with the severe criticism of their company, which will be used by the agents of competing companies.

After the annual report of the Association which was submitted as of December 31, 1911, it showed that the Company was in a most prosperous financial condition, therefore, the officers were compelled to seek refuge under some other excuse.

The second claim was that they were forced to make the change on account of adverse legislation. We believe that the history of the last four years of the other assessment associations will clearly prove that this was also a false contention.

The history of the Company since the change was made should clearly show whether the change was for the best interest of the members or for the officers.

As soon as the Association was changed to a Mutual Legal Reserve Company, it became necessary for the officers, who had been instrumental in making the change, to thoroughly intrench themselves in the control of the Company.

A Very Objectionable Condition.

The present by-laws place the control of the Company in the hands of the Board of Directors, consisting of only seven members, all of whom but one are officers of the Company and provision for still greater centralization of control is found in Section 3, which provides that "The president and any two directors shall constitute an executive committee (except when the Board of Directors is in session) and shall be authorized to perform all executive duties of such Board, including the investment of funds, payment of losses, etc., subject to

the approval of the Board, which approval shall be implied, unless contrary action is taken by such Board. The by-laws also provide that the officers must be selected from among the Directors. This is a bad provision. The Board of Directors should be independent of the officers.

As George Kuhns was the ringleader in manipulating the change, it is only fair to presume that he would be required to stand the greater portion of the censure of the members, and in order to prevent his removal it was necessary for him to absolutely control at least three members of the Board of Directors. At this time Mr. C. L. Booth was on the Board of Directors and also associated with Mr. Kuhns in the management of the agency work. As Mr. Booth had long been associated with the noble founder, Edward A. Temple, he was not in sympathy with Mr. Kuhns' plans, therefore, it became necessary for Kuhns to have Mr. Booth removed from the Board of Directors.

In order to show the cunning, underhanded methods of Kuhns toward Mr. Booth, we will here publish a letter which was sent out to the general agents prior to the election of the Directors of the Company which was to be held on April 9, 1912:

Des Moines, Iowa, March 30, 1912.

CONFIDENTIAL.

Dear Mr. ———

Because this company does business in New York and must therefore adhere to the low scale of commissions adopted by that state, you are not receiving as high a commission as could be paid under other conditions.

Well, I am not in sympathy with that arrangement, as I well know that a satisfied and loyal agency force is the foundation of any successful company. It is my purpose with your aid to bring about such change as will result in a prosperous and contented agency force.

For twelve years I have had charge of the field work and in that time more than \$400,000,000 of insurance has been placed on the books of the company. All these years I have stood for the agent and his rights. Many of you are familiar with the substantial aid secured largely through my efforts in your behalf. I mention this only to say that if you appreciate the effort that has been made for the welfare of the agents, and will follow my lead in the election of the new directors, that takes place the ninth of April, the New York schedule of insurance will be done away with and the commission paid on exchange business that is paid on new business.

To do this it will be necessary to leave Mr. Booth temporarily off the Board of Directors, but this will in no way curtail his usefulness to the company. Mr. Booth is an able assistant in the field management and a splendid man who understands that the agent is "the man behind the gun", but he is in no position to assert his opinions in opposition to the opinions of the "powers that be," hence it takes a stronger man on the Board to gain the desired end at this time.

Follow my lead and you win. What I want you to do is to call upon all the Bankers Life Members that you can before the 9th of April, and see that they send in the ballot herewith enclosed instead of the one that went out with Mr. Booth's name on it. Mr. Clark's name as well as my own appears on the tickets and what you should have the members do, is to strike one of our names off and insert on the blank lines left on the card the name of one of your local banker friends, and let your excuse be that you want to give him a local vote as a compliment.

Mr. Clark is on both tickets and will have no opposition, hence no harm can result from striking out his name, while I expect to be opposed in certain quarters where it became necessary to fire agents in my regular line of duty, and I need all the votes I can get for myself and Mr. Finkbine.

You cannot well explain to the policyholder that you want your commission raised, but you can ask him for a complimentary vote for one of his local townsmen, and get it into the mail without delay. The members written since last July have none of these ballots and you should call on them sure.

Am covering the entire field in this matter and if each man does his part, the point will be gained. Have sent you a supply of ballots, postage paid, under separate cover; if you run out, work over some of those sent out with the call and be sure Finkbine's name is written on them.

In answering this letter please use the enclosed envelope, which has my

residence address on it. Get word to as many of your agents as are handy and be sure the voter puts his policy number after his signature.

If you believe "God helps those who help themselves," get busy and treat this in strict confidence. Gather up the ballots as you go along and mail them yourself so they will reach Des Moines Sunday, the 7th of April. After that mail as fast as you get them up to the night of the ninth. Don't leave the impression with the policyholder that there is any contest on.

Very truly yours,

GEO. KUHN.

You will notice first that this letter is written in strict confidence. It can also be clearly seen that Mr. Kuhns first endeavors to secure the confidence and loyalty of the agent by calling his attention to the fact that he (Kuhns) is always endeavoring to better the agent's condition, and if he will "follow his lead" he will be benefited in the future. It is quite evident that Mr. Kuhns tried to secure the co-operation of the agents by leading them to believe that the Company would pay larger commissions in the future.

Would Booth's Removal Change the New York Insurance Law?

The laws of New York provide that a company operating in that state will not be permitted to pay commissions to their agents in excess of 50% of the first annual premium, therefore, in what way would the removal of Mr. Booth from the Board of Directors enable the Company to disregard the New York schedule of insurance for doing business in New York? As long as the Company did business in New York, it would be compelled to abide by the laws of that state. If Mr. Booth was to be removed from the Board of Directors only temporarily, why was he not reinstated?

Mr. Kuhns compliments Mr. Booth on his ability as an agency man, but says that he is in no position to assert his opinions in opposition to the opinions of the "powers that be." This would clearly indicate that Mr. Booth was not in sympathy with Kuhns' principles; therefore, he must be removed.

Now notice Kuhns' scheme for misleading not only the agents, but the bankers and members from whom he seeks a proxy. Mr. Booth evidently did not know that he was to be ousted because the ballots had been sent out with his name on them. Can this be considered "square dealing"? If Kuhns will resort to these unfair methods in order to secure control of the Board of Directors, can the members expect to receive a fair and equitable deal from him? As a summary of the plans which Kuhns resorted to in order to remove Mr. Booth, we will say that they are certainly the cleverest and most underhanded methods that have ever come to our notice. It will be noticed that Mr. Kuhns was deceiving the policyholders as well as being a traitor to Mr. Booth.

It must be admitted that a large number of agents acquiesced in Mr. Kuhns' underhanded scheme, for Finkbine was elected to the Board of Directors. We have been told that it cost Kuhns over \$7,000 to elect Finkbine. Where did Kuhns get the money? Does it seem reasonable to suppose that he would squander this large amount to elect Finkbine if he were not going to be reimbursed?

Agents Receive Enormous Commissions.

By referring to the New York Insurance reports for 1913, we find that Kuhns was able to secure the services of a large number of general agents who received sums for their year's work in 1913 ranging from five thousand to seventy thousand dollars each. Therefore, it is very evident that the enormous commissions to be earned in switching business was instrumental in attracting some very capable talent. There are still a large number of agents who received less than \$5,000 a year. As the agents were at that time, engaged in the transfer business, thereby destroying the old Association, we will hereafter refer to them as the wrecking gang.

In order to illustrate the skill with which Mr. Kuhns manipulated his wrecking gang, we will here publish a letter which he sent to all agents under date of May 12, 1913:

To All Agents:

Des Moines, May 12, 1913.

The new Semi-Endowment at age seventy is being well received by the public, and although it has been in the hands of the agents but four days, applications are already coming in for that form of insurance. As an exchange

policy this contract appeals to the man who is now carrying his insurance on the Assessment plan when he realizes that his Assessment contract has no cash value for him while he lives and no provision for his own old age.

It may be used as an exchange policy either at age of entry or attained age provided the applicant is not over fifty years of age at the time of exchange. The rate of commission where exchange is made is the highest paid on any exchange business.

Mr. R. B. Burdine, of Louisville, Ky., in a letter to his agents brings out the good points in the policy so clearly that we quote a part of his communication:

"Why should any man who is not over fifty years of age want Term insurance when he can get this Semi-Endowment policy, costing much less in the end, and why should an agent ever mention Term insurance to a prospect when this new contract will be much more easily written. The agent gets much more out of it in the way of commission, to say nothing about renewals which he does not get on Term business, and last but not least he is selling something that being infinitely more pleasing to the policyholder, will be talked to other men, which means considerable more business for the agent, and he will have practically no competition in this policy."

Why should any man carry his old Assessment insurance when the net cost of this new policy will be less than his old certificate?

The May Bulletin is being mailed out and contains food for thought that will be useful in canvassing and it will not be a bad idea to leave a copy occasionally with the man on whom you wish to call again.

Very truly yours,

(Signed) BANKERS LIFE COMPANY.

By Geo. Kuhns.

We wish to call attention to two important points in the above letter:

The first is where Mr. Kuhns states that the rate of commission where exchange is made is the highest paid on any exchange business.

Does it seem plausible that the company would especially design a form of policy which would give the members who desired to make the change any special advantage, and then pay the agents the highest commission for selling this form of policy?

It is our experience that the agents are paid a smaller commission on any form of policy which purports to furnish any special advantages, whether it be in the policy conditions or in a smaller rate of premium. For example, any form of Term policy, whether renewable or convertible, will furnish the protection desired at the smallest premium, but the company pays a very small commission to the agent for selling the term form of policy.

It would seem to us that if the Semi-Endowment policy really gave the members who desired to make the change the greatest benefit at the smallest premium, the company would be required to pay a smaller commission on this business in order to meet any deficit in the premium. Ample proof for our contention on this point may be found in the fact that the companies invariably pay a larger commission for the high-priced forms of policies than they do on the lower premium policies. Our analysis of the Semi-Endowment policy issued by the Bankers Life Company will be found on page 35.

The second point is the declaration made by Mr. R. B. Burdine of Louisville, Kentucky, which is quoted by Mr. Kuhns, asking why any man who is not over fifty years of age should want term insurance when he can get this Semi-Endowment policy costing much less in the end.

We are at a loss to know what system of calculation Mr. Burdine used which would justify him in stating that the Semi-Endowment insurance would cost less than his Assessment certificate in the end, even if the insured should be less than fifty years of age.

Mr. Kuhns also wants to know why any man should carry his old Assessment insurance when the net cost of this new policy will be less than his old certificate.

There may be a little excuse for Mr. Burdine's making this statement, as he is only an ordinary agent who is the understudy of some wise official, but when Mr. Kuhns makes the same declaration, it seems almost unbelievable.

A Misleading Letter by Turner.

The following letters will show the unfair methods resorted to by the agents in order to induce the members to make the change. The first letter is one written to Mr. A. E. F. E. of Terre Haute, Indiana, by Mr. P. G. Turner, formerly of Minneapolis, who, it will be noticed, received \$10,637 as remuneration for his services for year ending December 31, 1913.

Jan. 31, 1914

Mr. A. E. F. E., Terre Haute, Ind.

Dear Sir: The writer sent you a letter at the time of a previous visit to Terre Haute, enclosing a self-addressed post-card, for reply, as to what time you would meet me for an interview. If such card was posted, it was not received. At that time I had no assurance that I would return here. I am now directed to proceed to Evansville shortly.

If correctly advised, you are insured in the Bankers Life Company under certificates No. 170537 and No. 196597.

The Company commissions me to convey certain items of information materially affecting your interests as a member of this Company, whether or not you are interested in information relating to our new forms of policies. It relates to the condition, the future plans and outlook of the Company, the relation which certain legislation and other developments sustains to the status of your insurance, etc.

If it is your desire, however, without importunity on our part or obligation on yours, I will outline the exceptional features of the policies we are offering to present members particularly, either in exchange for certificates or as additional insurance. During 1913 our members availed themselves of approximately \$75,000,000 of insurance under our Special Exchange plan, and many of our members here have already taken advantage of the REAL OPPORTUNITY which is provided for the time being, through our Special Representatives solely.

By way of a little advance information would say that we can conclusively prove that the average yearly cost of insurance under the original certificates, during periods of 15 years, or longer—and dependent on age—will be from two to five times the net cost required under our Exchange Policy.

In order to discharge my obligation to you and to my Company, I request that, if possible, you will please indicate on the enclosed card, the hour during the day or evening of Monday, Tuesday or Wednesday of the coming week, most convenient for a brief conference at the Terre Haute House. But I will try to reserve sufficient time to fulfill your requirements. The prompt posting of the card will doubtless help me to provide against the need of holding interviews in too close proximity or of unduly curtailing same.

Anticipating your call with pleasure, I remain

Very sincerely,

P. G. TURNER.

It will be noticed that the one great inducement held out to Mr. E. in order to induce him to make the change was that the company had succeeded in twisting approximately \$75,000,000 of the assessment insurance in 1913.

By referring to the Pocket Index published by the Spectator Company of New York, which shows the amount of insurance written by the Bankers Life Company, we find that the company only wrote \$60,908,534 in 1913. This includes all the insurance sold to policyholders who were not members of the old Association. We are informed that the company wrote only a small percentage of new business in 1913; deducting the new business written from \$60,908,534, will give the amount of business which was actually twisted in 1913. As Mr. Turner states that "during 1913 our members availed themselves of approximately \$75,000,000 of insurance under our Special Exchange plan," and we find that there was less than \$60,000,000 exchanged, it would seem to us that persons making such gross misrepresentations are punishable by law.

We note that Mr. Turner was somewhat disappointed because the appointment card which he had sent to Mr. E. had not been returned. Perhaps Mr. Turner had calculated on having the 50% commission he was to receive from the Company for twisting Mr. E. to spend while in Terre Haute.

Mr. Turner states that if he is correctly advised, Mr. E. is carrying two certificates in the Bankers Life Company.

As Mr. Turner had been advised by the home office to call on Mr. E., as he admits in his letter, it does not seem possible that the Company would instruct their agents to call on anyone but those carrying the old certificates.

It will also be noticed that Mr. Turner alludes to certain legislation which will affect the insured materially. It will be remembered that the officers of the Company who acted as foremen of the wrecking gang used this point as an excuse for making the change. Mr. Turner further states that by way of "advanced information, would say we can conclusively prove that the average yearly cost of insurance under the original certificates, during periods of fifteen years, or longer—and dependent on age—will be from two to five times the net cost required under our Exchange Policy." Is it possible for the human mind to conceive a greater misrepresentation than the one contained in this declaration? The idea that Mr. Turner can prove that the insurance under the Assessment plan will cost from two to five times more than it will cost under the new plan, simply proves to what extent these expert figure jugglers will carry their misrepresentations in order to reap the benefits of the large commission paid them for switching the business. If the insurance is going to cost the insured less under the Legal Reserve plan than it cost under the Assessment plan, is it proper for the officers to claim that they were required to change to the Legal Reserve plan because the rates under the Assessment plan were inadequate?

It would seem to us that if the Auditor of the State of Indiana would do his duty, he would at least cancel the license of some of these unscrupulous agents who are taking advantage of the unsophisticated members of the old Bankers Life Association.

Another Misleading Letter by De Forest Bowman.

The following letter was sent to the members of his district by De Forest Bowman, the Chicago representative of the Bankers Life Company. By referring to the extract from the New York Insurance Report it will be noticed that Mr. De Forest Bowman received \$62,821.63 from the Bankers Life Company in 1913. It is quite probable that his success was due to the fact that he was capable of making gross misrepresentations, as will be shown in this letter.

Mr. _____,
Chicago, Ill.

Feb. 13, 1915.

Dear Sir:

Here you are! "\$329,000, in Dividends."

Earned in 1914—payable in 1915, on Bankers Life Legal Reserve Policies—no years old or older.

"Some Dividends."

"Top Notcher in Fact"—The enclosed—"Dividend Comparison Sheet of 10 Leading Companies"—Tells the Tale—"Who Pays the Dividends That let's the Low Cost."

"Some Gains—Too."

The Annual Statement for 1914 shows:

Assets	\$25,193,076.71,	Gain	\$ 2,969,000.00
Legal Reserve Ins.....	98,000,000.00	"	28,000,000.00
Reserve with State	23,246,520.00	"	2,500,000.00
Surplus	721,243.80	"	149,000.00
Rate of interest earned	5½%		About 3½%

The "Bankers Life—Wins for You."

By "Economy in Management," "Careful Selection of Risks," "Good Investment of Assets" and "All profits to Policyholders". Besides it gives you the Greatest of Security, Viz: The full Legal Reserve to guarantee every policy is kept on deposit with the State of Iowa in approved Bonds and Mortgages.

"You've Got—The Best in the Land—Old Man."

So—"Stick and Buy More"—Get your friends to buy—it makes your dividends grow larger—Its Your Company and Your Dividends—and You Know It. A Tip on a—Prospect—is always appreciated.

Cordially De Forest Bowman.

P. S. The boost of the Bankers Policy Holders—Boosts Results—Results Boost Your Dividends—Therefore Boost.

Notice the first statement which was made to the effect that the Company had actually earned \$329,000 in 1914. It does not state whether the \$329,000 was excess interest earned, saving in mortality or whether it was simply a refund of the overcharge made in premiums.

The following illustration will show that the \$329,000 which was alleged to have been earned in 1914, payable to the policyholders in 1915, was simply a refund of a part of the overcharge.

We will use the non-participating premiums of the Prudential Life Insurance Company in the following illustration and comparison as they are operating on the same interest basis and their cash values are practically the same.

Let us suppose that the average age of the policyholders carrying the \$98,000,000 of insurance in the Bankers Life was forty years. As practically all of the \$98,000,000 of insurance represents the business that was transferred it is only fair to presume that a very large percentage of the policyholders were of the older ages, there being very few, if any, below the age of twenty-five. It will be seen that placing the average age at forty will give a very accurate estimate.

Now let us suppose that the \$98,000,000 of transferred business was equally divided between the Ordinary Life and the Twenty-Payment Life plans. There may have been a small proportion written on the Term plan, yet there is evidently enough Endowment insurance written to balance these two items.

The premium in the Bankers Life at age forty for the Ordinary Life policy is \$31.02. The same form of policy could be purchased in the Prudential at age forty for \$25.85. Therefore, the insured would be paying \$5.17 more for practically the same policy in the Bankers Life than he would be required to pay in the Prudential. This \$5.17 represents the overcharge paid the company to enable it to pay dividends.

Under the Twenty-Payment Life plan at age forty the insured would be required to pay the Bankers Life the premium of \$39.43. He could purchase practically the same policy in the Prudential for \$33.46. The difference in premiums, \$5.97 represents the overcharge for dividends. Dividing the total of the two overcharges by two will give an average overcharge of \$5.57 paid the company on each thousand of insurance. As the Company had \$98,000,000 of insurance in force, if they collected an overcharge of \$5.57 on each thousand of insurance, they would collect a total overcharge of \$545,860 each year.

As the Company is only going to return \$329,000 to the policyholders in 1915, as so-called dividends, they will still have a balance of \$216,860 overcharge to devote to other channels. These figures do not include any excess interest earning or savings in mortality.

Reducing the above estimate to an individual equity for each \$1000 of insurance the result would be that the insured had paid the company an average overcharge of \$5.57 and the company would return to him \$3.29 and expect him to believe he had received a liberal dividend.

The question now arises how much more in dividends should each policyholder have received had he received credit for any excess interest earning or saving in mortality.

This is what Mr. DeForest Bowman would have you understand as "Some Dividends."

Now referring to the "Some Gains" mentioned in the above letter we will say Mr. Bowman would evidently have you understand that the \$25,000,000 of assets belongs to the policyholders carrying the \$98,000,000 of Legal Reserve insurance. If this is true what has become of the \$17,000,000 the company reported December 31, 1911, which belonged to the certificate holders? This amount has increased to over \$20,000,000 in 1914.

This being the case the amount of assets belonging to the original certificate holders would be approximately \$20,000,000. The difference between this amount and the \$25,000,000 now reported would represent the assets belonging to the policyholders who had changed to the Legal Reserve plan.

Mr. Bowman also calls attention to the fact that the company wrote \$28,000,000 of insurance in 1914. He does not tell you that a large percentage of insurance written in 1914 was twisted from the assessment side of the ledger, thereby reducing the income on the assessment insurance.

December 31, 1911, the company had \$490,000,000 of insurance in force. On December 31, 1912, they had \$457,000,000 showing a loss of \$33,000,000.

December 31, 1913, the whole amount insured was reduced to \$430,000,000 showing a loss of \$26,000,000.

December 31, 1914, the whole amount insured was reduced to \$406,000,000 showing a loss of \$24,000,000. We will say the company is not growing fast, having lost \$84,000,000 of Insurance since 1911. This is what Mr. Bowman would have you believe to be "some gains."

The next important point to which Mr. Bowman calls your special attention is "economy in management."

Some Economy in Management.

December 31, 1911, the company had \$490,000,000 insurance in force. Their managing expense that year was \$1,163,000. In 1914 a loss of \$84,000,000, yet the managing expense increased to \$1,243,000. Therefore, it cost \$80,000 more to manage the company in 1914 than it did in 1911, with \$84,000,000 less insurance in force. Does this show "Economy in Management"?

Now we are informed that Mr. George Kuhns, the second vice-president, who was the chief mogul at the time the slaughter was started in 1911 only drew a salary of \$5000 a year. We do know, however, that the New York Insurance report showed his salary to be \$9000 a year in 1913. We are now wondering why he should have an increase in salary when the company was not doing near the business it was in 1911. It may be that he needed an extra salary as a balm for his conscience.

Now we will refer to the "Careful Selection of Risks."

This is perhaps the greatest misstatement in the whole letter. We are wondering if Mr. Bowman makes this declaration through ignorance or through a total disregard for the truth. Can it be considered a careful selection of risks where the company will issue a Legal Reserve policy without a medical examination? Everyone of the members who have been twisted have been allowed to do so without a medical examination. Some of these policies have been in force for many years. In fact, the insured was given the right to change to the Legal Reserve basis if he were on his deathbed. The fact that the company has permitted the members to make the change without any regard whatever as to their physical condition has been the greatest objection to making the change, and will prove the greatest stumbling block when the company is obliged to enter the field against strong competition, in search of new business which will require the new members to stand a rigid medical examination in order to be placed in a class with members who were admitted without a medical examination. This obstacle will be doubly hard to overcome on account of the company's being on a participating basis. We are of the opinion that it will be very difficult to sell participating insurance where the greatest element, saving in mortality, which goes to make up the surplus, (as claimed by the participating company) is handicapped from the very start.

Now referring to the declaration that "You've Got—the Best in the Land—Old man."

It certainly required a decided stretch of imagination on Mr. Bowman's part to make this declaration. If Mr. Bowman considers the Bankers Life "the best", we would like to know in what category he places the old and well-established mutual legal reserve companies.

Another Letter By Mr. Bowman.

The following is another letter emanating from Mr. Bowman:

May 14, 1915.

Mr. R. W. J.

Dear Sir:—You must change your Assessment Certificates now to a Level Premium Policy if you want to get the lower premium rate and avoid the coming burdensome cost of Assessment Insurance.

Remember, you have obligated yourself as an Assessment Member to pay your share of all the death losses, and the average age has now reached an age where the death losses must begin to double and treble.

WE ADVISE YOU—Change now while you can.

Mail appointment card today.

Yours very truly,

BANKERS LIFE COMPANY.

DeForest Bowman.

P. S. We will pay over \$300,000 in Dividends on our Level Premium Policies this year.

The first statement in this letter to the effect that "You must change your Assessment Certificates now" was evidently made to give Mr. J. to understand that he would be compelled to make the change now. This declaration is modified, however, by the statement that "If you want to get the lower premium rate and avoid the coming burdensome cost of Assessment Insurance."

The next statement to the effect that "the average age has now reached an age where death losses must begin to double and treble," is absolutely false and it is just such statements as this that the agents are now using to induce the members to make the change.

It will be noticed that this letter was dated May 14, 1915, which was just three years and six months after the time of the change. The members were required to pay for mortality expense 46% of the guarantee fund. At the time this letter was written they were required to pay 53%. This shows that in three years and a half the mortality expense had only increased 7%. Does it seem that this condition would justify Mr. Bowman in making the false statement to the effect that the death claims would now double and treble.

Mr. J. was carrying three certificates or \$6000 of insurance and it cost him \$76.05 for the same for the last year. If he were to purchase \$6000 of insurance from the company on the Ordinary Life plan, it would cost him \$224.52 for his present age (45) less any possible refund of the overcharge as so-called dividends after the first year.

The average non-participating premium required for \$6000 of insurance on the Ordinary Life plan is \$187.08, therefore using the non-participating premium as a basis, should Mr. J. change his present certificate for \$6000 of insurance issued on the Ordinary Life plan he would at once increase the premium \$111.03 each year, thereby more than doubling the present cost of his certificate. Of course his Ordinary Life policy would have a cash value, but if Mr. J. would deposit the difference in premiums (\$111.03) each year in the bank at 4%, the result would be as follows:

As the dividend payable on any form of life insurance policy could only be estimated, it would be impossible at this time to calculate the exact cost.

In order to obviate the dividend element of the premium we will take the non-participating premium of the Prudential as a basis for this illustration.

If the actual cost of the insurance under the Bankers Life policy was less than the Prudential's rate, then the results would be more favorable to the insured.

Mr. J. could buy a \$6000 Ordinary Life policy from the Prudential for the annual premium of \$187.08. As the maximum annual cost under the \$6000 Assessment Certificates cannot be increased beyond \$76.05 until the entire reserve fund of \$13,000,000 has been exhausted, it is quite evident that the annual cost under the present certificate will not increase beyond \$76.05 for many years, if ever.

If Mr. J. will take the difference between the premium of \$76.05 and \$187.08 which is \$111.03 and deposit the same in the bank each year at 4% and leave the interest to accumulate with the principal at the end of five years his savings account would amount to \$625.09. The cash value on his \$6000 Ordinary Life policy will only be \$522.00 at the end of the 5th year which is \$103.09 less than his savings account. At the end of twenty years his savings account would amount to \$3,438.59 while the cash value of his Ordinary Life policy would only be \$2,562.00.

Des Moines, Iowa, January 12, 1914.

N..... E. J.....

Appleton, Minn.,

Dear Sir:

We have your favor of the 5th inst. referring again to your new policy No. E123688.

In the first place we wish to say that the Semi-Endowment Policy was prepared especially for exchanging members and is offered at a rate lower than that charged by other leading companies for similar benefits. In order to avoid discrimination it was necessary to grant the same form of policy to new members, if desired, but that does not alter the fact that the policy offers you the benefits for the favorable rate. We will demonstrate the fact of that point by making comparison with the policy issued by the leading eastern companies, which is nearest in form to our special Semi-Endowment.

We refer to the Ordinary Life contract of the other companies. If you had taken an Ordinary Life policy the annual gross rate would have been \$9.56 more than your Semi-Endowment premium. In 26 years up to the age of 70, that would make a difference in premiums of \$248.56, not counting the interest earnings, which, of course, would be lost to you if you were to pay the additional premiums. On the other hand, the guaranteed cash value of the Ordinary Life policy at age 70 would be only \$115.60 larger than the guaranteed cash value of your Semi-Endowment policy. In other words, the Ordinary Life policy, in spite of the large difference in premiums, would guarantee no more in event of your death than a Semi-Endowment contract, and in event of settlement at age 70 the cash available would not be sufficiently larger on the Ordinary Life policy to make up the difference in premiums paid exclusive of interest earnings, and, of course, the compound interest for a period of 26 years is a large factor. It was decidedly to your best interest to exchange the certificate for the new policy and as you know, the new policy pays just as much in event of your death as would have been paid under the old certificate because the Guaranteed Deposit is transferred under those conditions. Under the old certificate you would have been obliged to meet the required assessment and there would have been nothing returnable to you in event of settlement of the certificate during your life-time, regardless of how much it had cost you. By taking the new policy you are relieved of the charges made on the basis specified in the old contract. The premium rate is figured on a scientific basis, in accordance with existing legal requirements, and in event of settlement during your life-time, you have the advantage of the guaranteed values offered by the policy. The company has given you a good deal in this transaction and has offered you every benefit that it was possible to offer. You must bear in mind that the company is a mutual organization, meaning that the earnings belong exclusively to the members and there is not a farthing of profit or advantage to the management in any of these transactions. From that point of view it makes no difference to us in what form the member carries insurance. We are interested in the progress and prosperity of the company and we are anxious to arrange matters in such a way as to insure future satisfactory results to the members. It is only on that account that we are recommending that the new policies be taken in exchange for the old certificates. As your policy is unusually good as compared with the policies offered by other companies and as it was distinctly to your advantage to take the new policy in exchange for the old certificates, of course, there is every reason why you should be entirely satisfied and if we have succeeded in presenting the matter to you in the proper light, you will be. We shall be glad to give you full explanation of points which are not clear at any time because we want you to have a thorough understanding of the proposition in order that you may realize how good your contract is.

Yours truly, **BANKERS' LIFE COMPANY.**

(Signed) By G. S. Nollen, Secretary.

It will be noticed that Mr. Nollen refers to the Semi-Endowment policy as one which was especially designed for exchange members. In order to try to convince Mr. J. that the Semi-Endowment policy affords superior advantages over similar policies issued by other companies, Mr. Nollen evidently compared the Semi-Endowment policies with the premiums and cash values of the Mutual Life of New York as those used in his letter are identical with those of the Mutual. Mr. Nollen undoubtedly selected the Mutual Life because it is one of the three Eastern companies which charge the highest gross premiums in order to show a large excess premium.

The fact that Mr. Nollen selected the premiums and cash values of the Mutual Life to use as a comparison with the Bankers Life, clearly proves our contention that the officers are not dealing fair with their members, because it would be absolutely impossible to draw a true comparison between these two companies as the Mutual Life is operating on 3 per cent interest basis and the Bankers Life is operating on the 3½ per cent interest basis.

In order to show the unfair methods resorted to by Mr. Nollen we will give an analysis which will show the true comparative results.

As Mr. N. E. J. was 44 years old, the Mutual's Ordinary Life premium for \$2000.00 insurance is \$76.16; the Bankers Life Semi-Endowment premium for \$2000.00 is \$66.60 for the first twenty-six years and \$82.52 for the remainder

of life, the difference in gross premiums being \$9.56. When Mr. Nollen quoted the Mutual Life's gross premium he did not state that the refund, as an over-charge in premiums which would be returned, as, the first dividend on the \$2000.00 policy would be \$14.12 and that the eighth dividend would be \$18.06, which would give an average dividend, paid for eight years of \$16.09, this would reduce the average cost to \$60.07 per year. While the Mutual Life dividends would increase each year after the eighth, the average dividend of \$16.09 would be greatly increased in after years, but this will give a fair illustration.

The dividends that the Bankers Life paid in 1914 on their Semi-Endowment policies issued two years previous at age 44 was \$4.80 per thousand or \$9.60, this would reduce the gross premium of \$66.60 to \$57.00 which is only \$3.07 less than the net cost of the Mutual Life's Ordinary Life policy which has considerable larger cash values.

The Mutual Life's Ordinary Life premium would remain level for the whole of life, while the Semi-Endowment policy would increase at age 70 to \$82.52 which would be almost double the annual cost for the Mutual Life policy after twenty-six years.

Nollen's Statement Not Based on Facts.

It will be noticed that Mr. Nollen repeatedly calls Mr. J.'s attention to the point that it would be to his best interest to exchange the old certificate for the legal reserve policy, let us see if this statement is true. As Mr. J. was 33 years old at the time he became a member of the Bankers Life Association the annual cost of his \$2000.00 certificate for the last year was only \$20.79 and as this was the maximum annual cost this premium could not be increased until the reserve fund of over \$13,000,000 was entirely exhausted. If the new company is able to write only a moderate amount of new business it will be many years, if ever, before the annual cost will exceed the present rate.

The annual premium required for the \$2000.00 Semi-Endowment policy is \$66.60 for the first twenty-six years and \$82.52 each year thereafter until death, deducting the cost of the certificate, \$20.79 from \$66.60 gives a balance of \$45.81.

If Mr. J. will deposit the \$45.81 in the savings bank each year and leave the interest to accumulate with the principal, at the end of twenty-six years he will have \$2110.92 in his savings account where if he paid the full premium to the company and desired to surrender the policy at the end of twenty-six years or at the age of 70 he would only receive \$1000.00. Should he invest the difference in premiums together with its interest worth, each, at 5% at the end of twenty-six years he would have \$2458.62 in his investment account, while it is true he would receive a "dividend" on the premium of \$66.60 at the time the third premium would be payable, yet any "dividend" he might receive would not purchase sufficient insurance each year, which would leave an estate equal to \$2000.00 plus the savings in premium each year.

Would it not be better for Mr. J. to continue his present certificate and keep the difference in premiums each year?

Mr. Nollen states that the officers would not be benefited by the change, but that he simply has the best interests of the company at heart, he also states that it is a purely mutual company.

It would seem that if Mr. Nollen was sincere in his statement that it was his sole object to see that the members were fully satisfied—that he would be perfectly willing to have Mr. J. retain his old certificate.

We have received a great many letters from members protesting against the unfair treatment they are receiving from the present officers of the company and we publish the above letters in order to explain our reason for arriving at the conclusion that the members can hardly expect to receive fair and equitable treatment from the present officers.

In the following chapter we will give a detailed explanation of the future results to be obtained by the policyholders on the legal reserve forms of policies.

CHAPTER 5.

ANALYSIS SHOWING THE FUTURE RESULTS UNDER DIFFERENT POLICY FORMS.

Where life insurance is purchased from a company which sells pure protection life insurance it is quite easy for the purchaser to understand the contract called the policy.

When other features, such as cash values, so-called investments, limited payments and other issues are added the purchaser at once becomes mystified and is unable to understand the true principles therein contained and the policy is purchased on the representations made by the agent or because some friend has purchased the same form and recommends the same because some other friend has purchased that special form.

The agents of the Legal Reserve companies in a very large percentage of cases sell their policies under gross misrepresentations, the agents representing the participating or dividend paying companies, invariably misrepresent the amount of dividends that will be paid on their policies.

The dividends which will be payable under any form of a life insurance policy can only be estimated and as the amount of the dividends are determined by the officers, it is impossible to calculate the future dividends to be paid, it seems that this condition is designed for a purpose, as it leaves an opening for the agents to estimate the dividends and in many cases the conscience of these agents is so thoroughly blinded by greed that in order to receive the large commissions which are paid they will place the estimated dividends at two or three times the amount the policyholder will actually receive.

Some of the larger companies publish the amount of dividends which have been paid for five or six years preceding and these are used as a basis for determining the dividends that will be paid in the future, but as the policy generally has twenty years or more to run and the actual dividends shown, cover a small percentage of the years the dividends are to be paid, it gives the agent an opportunity to estimate the future dividends as high as he may deem necessary in order to sell the policy. This is the greatest objection to the participating plan of insurance. The companies selling the non-participating forms of policies have eliminated this objection to a very large extent as the policyholders are not required to pay excessive premiums in order to have the overcharge returned as so-called dividends.

All of the benefits to be derived under this form of policy are guaranteed amounts. The agents of both the participating and non-participating companies too often misrepresent limited payment and investment policies, the misrepresentations occurring where the cost to the insured is calculated and compared to the benefits or returns he is to receive in the future. This chapter will be composed of illustrations and comparisons, and other information which will enable the policyholders or prospective purchaser to determine whether or not the policy will give him a fair and equitable deal.

The policies or certificates issued by the companies or associations operated on what is termed the assessment plan needs no explanation whatever. The insured, under these forms of policies has but one explanation i. e., if he pays the premiums required each year his beneficiary will receive a stipulated amount of money upon his death and that is all there is to the contract and, in fact, this is all that should be required of any life insurance policy or contract. Whenever the life insurance company deviates from this plan, the life insurance policy at once loses its true worth.

Analysis of the Bankers Life Certificate.

As a large number of the members of the old Bankers Life Association have been approached at some time by one of the agents of the new company who has endeavored to induce him to surrender his old certificate which he was given to understand to be the best and purchase the legal reserve policy requiring a much higher premium which is also represented as being the best. We will give an analysis which will show to the members which one of the contracts really is the best.

Of course, the agents of the new company at this time are such experts at figure juggling and making misrepresentations that they ofttimes induced the members to believe that white is black.

In order that we may show to what extent unscrupulous agents will carry

their misrepresentations we will first compare the future results to be obtained under the old certificate and a legal reserve policy purchased in after years.
F. L. W., Smithton, Mo.

Your certificate No. 30352 issued May 26, 1893, by the Bankers Life Association of Des Moines, Iowa, for \$2,000 at age 39, provides as follows:

This policy being written on the non-Legal Reserve or Assessment plan is written to cover the lifetime of the insured. Providing the quarterly calls are paid when due together with the amount required for the guarantee fund, it promises to pay \$2,000.00 upon the death of the insured, and also to return the \$39.00 paid into the guarantee fund.

As the insured is not required to pay premiums in excess of the amount necessary to pay the insured's share of the mortality and management expense of the company in order to create cash values, this policy does not contain cash values, paid-up values or extended insurance privileges.

If the insured is to receive these values, he must pay for them; if he is to receive so-called dividends on his policy, he must pay for them.

Remarks.

At the time the old association was changed to the Legal Reserve basis there was no limit placed on the time at which the insured would be required to make the change, the insured being allowed to retain his original certificate until his death if he so desired.

There is no question that the present company will be able to pay its death claims promptly under the original certificate or under any form of a new policy. Therefore, there is no good business reason for changing to the Legal Reserve plan at this time.

The agents of the Bankers Life Company are now making the statements that the annual cost under the old certificates will at once increase and that it will only be a short time until they will be so high that they will become prohibitive. Ample proof for the fallacy of these claims may be found in the fact that the annual cost has not materially increased since the change was made, and before they can be increased beyond their present amounts the entire reserve fund of over \$13,000,000 will have to be entirely exhausted. It will be many years, if ever, before the present annual cost will be increased.

The agents of the company are also making the claim that the insurance under the Legal Reserve plan will cost less than under the assessment plan.

These statements are absolutely false, and are evidently based on the assumption that the Legal Reserve policies will have cash surrender values, and should the insured desire to surrender his policy after a stated number of years the cash value which the insured will be able to withdraw, deducted from the premiums paid on the Legal Reserve policies may reduce the cost below that under the old certificate.

In order to receive the cash value which the insured must secure in order to reduce the cost the policy must be surrendered. If the death of the insured occurs before the policy is surrendered, where the insured pays a larger premium each year it is evident that the higher premiums will cost the most.

As the insured has now attained the age 61 were he to surrender the above certificate costing \$24.57 per year he would be required to pay \$133.02 for an equal death claim of \$2,000.00, issued on the Ordinary Life plan.

The following illustration will clearly show the fallacy of the contention that the Legal Reserve Insurance will cost less than the Insurance under the old certificate should the new policy be surrendered any year for its cash value.

The Prudential Life Insurance Company of Newark, N. J., is operating on a 3½% interest basis which is the same as that adopted by the Bankers Life Company. Therefore, the cash surrender values will be practically the same, and as the Prudential and the Bankers Life are both operating on the participating basis we will use the Prudential premium rates and cash values on their Ordinary Life policy for comparison.

Annual Premium for \$2,000.00 Ordinary Life Plan age 61 \$133.02. Present Annual Cost for \$2,000.00 certificate \$24.57. This amount deducted from the annual Premium required for the Ordinary Life Policy will leave a balance of \$108.45. Save \$108.45 each year to date of demise.

Where a true balance in accounts is to be obtained an equal amount of money must be considered on each account. Where the insured retains his low-costing certificate he must not lose sight of the fact that he will have

the difference in premiums to use in his business or deposit to his savings account.

If the insured will deposit the difference in premiums each year in the bank at only 4% interest and leave the interest to accumulate with the principal, the result will be as follows:

If the insured is in a position to invest the difference in premiums at a greater rate of interest than 4% the result will be in excess of those here shown.

Savings in premiums of \$108.45 yearly improved at 4% compound interest deposited in the savings account, at end of 3rd year will amount to \$352.46. Cash value of Ordinary Life Policy at end of 3rd year will amount to \$164.00. Excess cash where the original certificate is retained \$188.46.

Savings in premiums of \$108.45 yearly improved at 4% compound interest deposited in the savings account, at the end of the 5th year will amount to \$610.57. Cash value of Ordinary Life Policy at the end of 5th year amounts to \$304.00. Excess cash where the original certificate is retained \$396.57.

Savings in premiums of \$108.45 yearly improved at 4% compound interest deposited in the savings account, at the end of the 10th year will amount to \$1,354.54. Cash value of Ordinary Life Policy at end of 10th year amounts to \$626.00. Excess cash where the original certificate is retained \$728.54.

Savings in premiums of \$108.45 yearly improved at 4% compound interest deposited in the savings account the 20th year will amount to \$3,358.69. Cash value Ordinary Life Policy at the end of the 20th year \$1,220.00. Excess cash where the original certificate is retained amount to \$1,138.69.

The above illustration may be easily adjusted to apply to a certificate issued at any age and any form of a legal reserve policy to be issued at the present attained age of the insured by using this formula:

First find the annual premium required for \$2000.00 of insurance on the legal reserve policy to be purchased at your present age, from this subtract the cost of the present certificate which will give the difference in the annual cost; multiply the annual cost by the amount of \$1.00 per annum in advance at the rate of interest desired (see page 47) and for the number of years required which will give the amount of the accumulated savings at the end of a stated number of years; from this amount deduct the cash value of the policy compared at the end of an equal number of years, the result will give the excess cash where the present certificate is retained.

Your insurance in the Bankers Life Company is secure and the change has not made it less so.

The reserve fund already on hand is over \$13,000,000 remains the property of the members composing the association division. It is to be used only in payment of death losses in excess of 1% of the membership yearly.

The death losses occurring throughout the entire body of the lives insured will be equitably apportioned, so that each person, whether insured on the assessment or legal reserve basis, will bear his share of the total death losses of the company.

The more insurance the company writes the better off the old members will be.

Don't let the old line, high-priced insurance agent fool you and get you to drop your original certificate as you are "in on the ground floor."

The Semi-Endowment Policy Illustrated.

The officers of the Bankers Life Company claim that the Semi-Endowment Policy now being issued by the new company was especially designed to give special privileges to the members who desired to change to the legal reserve basis. The following is an extract taken from a letter written by G. S. Nollen, secretary of the company to N. E. J., of Appleton, Minn., under date of January 12, 1914.

"In the first place we wish to say that the Semi-Endowment Policy was prepared especially for exchanging members and is offered at a lower rate than that charged for other leading companies for similar benefits. In order to avoid discrimination it was necessary to grant the same form of policy to new members, if desired, but that does not alter the fact that the policy offers you the benefits for the favorable rate."

On page 34 will be found this letter in full with our comment. The following illustration will show whether the Semi-Endowment Policy was especially designed for the benefit of the members or for the company.

Analysis of policy No. 113535, issued June 5, 1913, to T. P. R., of Berlin, Iowa, by the Bankers Life Company of Des Moines, Iowa, for \$2,000, for the annual premium of \$56.80, for age 40 on the Semi-Endowment at age 70 Annual Dividend plan.

The above policy being written on a Permanent Insurance plan is written to cover fifty-six years of insurance. The insurance years from age 40 to 96, which is the possible lifetime of the insured, to be paid for at the rate of \$56.80 per year for the first thirty years and \$82.52 for the remaining twenty-six years providing the insured lives.

The thirty premiums of \$56.80 and twenty-six premiums of \$82.52, making a total of fifty-six premiums, will pay for fifty-six years of insurance and \$2,000 in excess if the insured lives to age 96 as the policy matures as an endowment for its face value of \$2,000 at that time.

Remarks.

If the insured is in good health and able to pass a satisfactory medical examination, he can purchase \$2,000 new insurance, ordinary life plan, for the average premium of \$57.70 and surrender this policy on or before June 5, 1916, for its guaranteed cash value of \$65.68. The interest worth of this amount at 5% \$3.28 will reduce the new premium to \$54.42 which is \$2.38 less than the present gross premium.

Save \$2.38 Yearly for the Next Twenty-seven Years, and \$28.10 for the remainder of life.

The savings of \$2.38 yearly imposed at 5% interest will amount to \$136.61 at the end of twenty-seven years. Should the insured desire to surrender the new insurance at the end of twenty-seven years or at age 70, it will have a cash value of \$1,101.50. This amount, \$1,101.50, plus the savings in premiums and interest worth of \$136.61 plus the cash value of the present policy \$65.68 will give a total of \$1,309.79 cash instead of \$1,000 on the above policy or an excess of \$303.79.

Should the death of the insured occur the first year under this plan, he will leave a cash estate of \$65.68 plus the insurance estate of \$2,000 or a total of \$2,065.68, and in addition thereto the savings of \$2.38 or a total of \$2,068.06 instead of \$2,037.00 under the present plan. Should his death occur the latter part of the twenty-seventh year, he will leave a cash estate of \$65.68 plus the insurance \$2,000 plus the savings of \$2.38 yearly and its interest increments of \$136.61 yearly, or a total of \$2,202.29 instead of \$2,037.00.

If the insured will purchase new insurance from a participating company charging the non-participating rate the dividends received on the new policy should practically equal those paid on the above policy.

As the officers of the company state that the above policy was written especially to give the members a square deal whom they could induce to exchange their low costing certificates for the high priced Legal Reserve policies, we will compare the above contract with an Ordinary Life policy which the insured could have purchased from the Prudential in order to see whether the company is giving their members a square deal or not.

We will use the Prudential Life Insurance Company, of Newark, N. J., for comparison because they are operating on a $3\frac{1}{4}\%$ basis which is the same interest basis as the Bankers Life Company, thus making their cash values practically the same and also on account of both companies being on the participating basis.

The insured could have purchased a \$2,000 policy from the Prudential on the Ordinary Life plan for the annual premium of \$51.70 for age 40, which is \$5.10 less than he is paying for the above policy. While it is true the Prudential did not adopt the participating basis until Jan. 1, 1915, yet the mutualization of the company was made retroactive, thus entitling all of the present policy holders to receive a refund of the overcharge in premiums as a dividend on their policies purchased in former years.

As the Bankers Life Company does not pay a dividend until the end of the second year or at the time the third premium is paid the insured would have saved the difference in premiums of \$5.10 per year for two years, and there can be little doubt that the Prudential will be able to pay a so-called dividend which will reduce the cost of the Ordinary Life each year to less than that charged by the Bankers Life Company on their Semi-Endowment.

At the end of the 5th year the Prudential policy would have a cash value

of \$140.00 while the cash value on the Semi-Endowment will be only \$126.96. The tenth year the Prudential policy would have a cash value of \$318.00 while the Bankers Life would have a cash value of \$298.60. The twentieth year the Prudential would have a cash value of \$736.00 while the Bankers Life policy would have a cash value of \$679.72. The thirtieth year or at the time the insured would be required to either surrender the Bankers Life policy or pay the increased premium of \$82.52 the Prudential policy would have a cash value of \$1,142.28 while the Bankers Life policy would have a cash value of \$1,000.

Should the insured desire to continue his policy after he had attained the age of 70 the Prudential rate would not be increased, while the Bankers Life policy premium would be increased to \$82.52 which is an excess of \$30.82.

Under the Bankers Life policy the company reserves the right to defer making any loan or giving the cash value on any policy for a period of six months, while the Prudential only reserves the right to defer the making of a loan or giving the cash values on a policy for three months.

There are some companies whose policies do not contain this clause, the insured being able to secure the loan or the cash value of the policy upon demand.

Perhaps the most objectionable condition contained in the Bankers Life policy is the one which requires the insured to notify the company five years in advance if he desires to continue the policy after age 70 by the payment of \$82.52. The company evidently figured that a large percentage of the policyholders would overlook this condition and fail to make application for a continuance of the policy prior to age 70, thus forcing the insured to surrender his policy for its reduced cash value of \$1,000.

We believe our readers will agree with us when we say that this is a very objectionable form of policy and will not give the insured a fair and equitable deal.

Under the Semi-Endowment at age 70, form of policy, the insured is required to pay a premium slightly less than the premium required for the regular Ordinary Life form until he has attained the age of 70 at which time he will be required to surrender the policy for its cash value of \$1000.00 or in order to continue the \$2000.00 death claim he will be required to leave the cash value of \$1000.00 with the company and in addition thereto pay the premium of \$82.52 each year for the remainder of life as the cash value of \$1000.00 is the insured's own cash the companies' liability under the policy after age 70 is only \$1000.00, therefore the insured is paying the excessive premium of \$82.52 for only \$1000.00 actual insurance.

Had the insured purchased his insurance on the Ordinary Life plan, the Premium would not be increased at the age of 70, it remaining level for the whole of his life.

The officers and agents of the Bankers Life Company advise the members to surrender their certificates and purchase the legal reserve forms in order to prevent the possibility of an increase in the annual cost in later years. Does it seem that the officers are giving the members a square deal when they will "especially" design a policy which will require the insured to either surrender the policy and thereby forfeit his insurance at the age of 70 or have the privilege of paying \$82.52 for a death claim containing only a \$1000.00 actual insurance?

The "especially" designed policy forces the insured to pay a much higher premium where under the assessment certificate the annual cost may never be increased.

Legal reserve policies do not afford a true investment.

The name "Endowment Insurance" is generally applied to insurance policies which have a cash value equal to the face of the policy at the end of 10, 15 or 20 years.

There is no such thing as Endowment Insurance—it is Endowment and Insurance.

Any form of policy under which a stipulated beneficiary or third party is to receive the face of the policy upon the death of the insured, and also where the policy provides to pay the insured the face of the policy at the end of the stated number of years, may rightfully be called Endowment and Insurance.

The Ordinary Life policy written at age 30 is a 66 year Endowment because it provides to pay \$1,000 to a third party called the beneficiary should

the insured die during the 66 years, which the policy is written to cover when purchased at age 30, and the policy provides to pay the insured \$1,000 should he be living at the end of 66 years or at age 96.

The Ordinary Life form of policy is, in a very large majority of cases, written to cover the possible lifetime of the insured which is the number of years from his age at the time the policy is issued to age 96.

Some of the life insurance companies write their Ordinary Life policies on a premium basis which will mature the policy for its face value at age 85; while there are forms of policies written which require premiums sufficient to mature the policy as an Endowment at age 65.

The forms of policies which are written to cover a large number of years, generally the possible lifetime of the insured, are called Whole Life or Ordinary Life. These policies may be written so that they require the premiums to be paid each year until the death of the insured (Ordinary Life) and some are written where the insured pays the premium for a stated number of years (Limited Payment) yet covering the possible lifetime of the insured.

Ten, 15 or 20 Year Endowment policies are also Whole Life forms; the only difference being that they require a premium sufficient to mature them for their face value in 10, 15 or 20 years.

Under the Ordinary Life or Limited Payment Life forms of policies the reserve does not equal the face of the policy until the insured has attained the age of 96, and as there is not much likelihood of the insured being able to live and enjoy the cash which he would receive by surrendering his life insurance policies, where they do not mature for their face value until the insured is 96 years old, the Whole Life or Limited Payment forms are not considered a very good investment.

The So-Called Endowment Policies Are Simply Sub-Standard Forms.

If the applicant for a life insurance policy is not in a first class physical condition he may be accepted by the companies on some form of a sub-standard policy, generally the 10, 15 or 20 Year Endowment.

If the chances are that the applicant will not live over 10 years the company may write him on a 5 Year Endowment, form. If the chances are he will only live 20 years, they may accept him on a 10 Year Endowment, and if the chances are that he will live 40 years they may accept him on a 20 Year Endowment.

In order to sell the high priced forms of policies the companies are required to use the argument that the Endowment forms of policies furnish an investment for the purchaser. If this is true the Ordinary Life may also be considered a good investment for the insured.

It is not uncommon to hear an agent, who is representing the Legal Reserve companies, make the declaration that he does not sell or even advise the purchase of Endowment insurance. The reason for this is perhaps on account of the Endowment policy being so manifestly adverse to the insured.

Under the Endowment forms of policies the insured is virtually paying for two things—Endowment and Insurance. He is paying the cost of term insurance for the number of years the policy is written to cover, and in addition thereto enough money which improved at the rate of interest adopted by the company, generally 3 or 3½% will equal the face of the policy at the end of the Endowment period.

Of course this is true on all forms of Legal Reserve policies which afford permanent protection, but it is more apparent to the ordinary layman under the forms which mature for their face value in a short period of years.

Single Premium Life Insurance Is the Most Expensive Form.

The single premium form of life insurance is the most expensive form and the most adverse for the insured. For example at age 40 the New York Life charges \$540.12 payable in one single premium for a \$1000 death claim. At first thought the insured might be led to believe that this would be a good plan on which to purchase his insurance. He pays the company \$540.12 and the company agrees to pay his beneficiary \$1000 upon his death whether it be in one year or 50 years.

If the insured will invest \$540.12 in bonds paying only 5% he will receive \$27.00 each year as interest. He can purchase \$1000 of insurance on the *Ordinary Life* plan at age 40 for the average annual premium of \$26.00. The

interest worth of his bonds (\$540.12), which is \$27.00, will more than pay the premium on his Ordinary Life policy. Therefore, he has what might be termed a paid-up policy. But upon his death he will leave \$1000 insurance estate plus his \$540.12 bonds estate, or a total estate of \$1540.12 created by the payment of the same amount of money that would be paid for a \$1000 death claim which his beneficiary would receive should he pay the \$540.12 to the insurance company and receive a \$1000 paid-up insurance estate.

Under this plan his \$1000 insurance estate would have a cash value the first year of \$540.12 (the amount paid for the bond) and this would increase each year the amount of the cash value accumulated under the Ordinary Life policy.

Under the single premium policy by paying the company \$540.12 in one single premium the insured immediately reduces the company's liability to \$540.48 which is the difference between the reserve (\$459.52) required for the \$1000 insurance issued on the single premium plan and \$1000. The interest worth of the \$459.52 at 3% will pay the cost of the \$540.48 insurance and in addition thereto increase the reserve or cash value of the policy to \$1000 at age 96.

A \$1000 death claim issued on the single premium plan as shown above will have a cash value the first year of \$459.52. The company will loan the insured this amount upon the sole security of the policy. At 5% the interest worth would be \$27.59. Upon the death of the insured the company would deduct the amount of the loan and pay the beneficiary \$540.48. Therefore, under the single premium plan the insured would be paying the interest worth of the loan, \$27.59, for \$540.48 insurance, and he could buy from the same company \$1000 of insurance for the average annual cost of \$26.00.

The 10, 15 or 20 Year Endowment plans are almost as objectionable as the single premium plan.

Under the 20 Year Endowment plan the insured pays off his own death claim in 20 years, so at the end of that time the insured accepts \$1000 in cash and the deal is closed.

Under this plan the company's liability is reduced the first year by the overcharge of \$34.85 for reserve to \$965.15, and at the end of 20 years the company's liability is reduced to nothing, as the cash value of the policy equals the death claim at that time.

If the insured will purchase \$1000 of insurance on the 20 Year Term plan and invest the difference between the Term premium and the Endowment premium at 5% compound interest, at the end of 20 years the difference in premiums will more than equal \$1000 and should the insured die any time during the 20 years he will leave \$1000 of insurance just the same, and in addition thereto the accumulated savings to date of demise. Therefore, it must be plain to the reader that the Single Premium or the 10, 15 or 20 Year Endowment forms of policies are very objectionable and will not give the purchaser a square deal.

If Endowments Are Bad and Ordinary Life Good Where Is the Neutral Point?

The Ordinary Life policy is generally considered to be the best form of policy to be purchased from a Legal Reserve Life Insurance company.

If the Ordinary Life policy is generally considered to be the best form of policy and the Endowment the worst, there must be some point between these policies which can be considered neutral; that is, a point where the Ordinary Life policy ceases to be good and starts to be bad, and also where the Endowment form of policy ceases to be bad and starts to be good.

It must be manifest that the Ordinary Life forms the positive point and the Endowment the negative. There being a positive and negative condition there must be some point between these two which is neutral.

As the Endowment policy is so manifestly bad we will start at the negative point to determine the neutral condition.

Let us suppose that the applicant is 40 years old and he is desirous of purchasing a \$1000 life insurance policy.

The 20 Year Endowment is a bad form of policy, so he will not purchase that form. The 25 Year Endowment is in the same class; therefore, it must be proportionately bad. The 30 Year Endowment is in the same category, as under this form the company requires the insured to pay premiums sufficient to pay his share of the current mortality expense each year for 30 years, his

share of the managing expense, dividends, if he is to receive them, and in addition thereto a sufficient amount of money, which improved at the rate of interest adopted by the company, will equal its face value in 30 years. This is just about as bad as the 20 Year Endowment; so he surely will not purchase the 30 Year Endowment.

Let us take the 40 Year Endowment under this form of policy. The insured is required to pay his share of the mortality and managing expense, dividends, etc., plus any other side issues that may be tacked on to the policy, and in addition thereto enough money to mature the same for its face value in 40 years.

It would not be good business prudence to purchase the 40 Year Endowment because that is only a little better than the 20 Year Endowment.

When Does the Endowment Cease to Be Bad and Start to Be Good?

It must not be forgotten that we are still in search of the neutral point. That is, the time when the Endowment policy ceases to be bad and starts to be good.

As we have tried the 20, 25, 30 and 40 year forms of Endowment and found them proportionately bad along with the single premium 10, 15 and 20 Year Endowment, and as we are fully determined to locate the neutral point, if it is possible, let us suggest the 56 Year Endowment. Can this be considered a good form of policy? The 40 Year Endowment was adverse. Can we say that the neutral point lies between the 40th and the 56th year? Most assuredly not, as the policies are calculated on the same mathematical basis.

As the insured was 40 years old at the time he made application for his \$1000 of insurance, should he purchase a 56 year Endowment his policy will not mature for its face value until he has attained the age of 96, and lo and behold this is the time when the American Table of Mortality states that all men will be dead. So it must be evident that if the applicant should purchase a 56 Year Endowment at age 40 he is simply purchasing an Ordinary Life policy.

As the 40 Year Endowment is adverse, if there is a neutral point, it must lie between the 40th and 56th year, or else we have no neutral point, and if we have no neutral point the Ordinary Life must be also a bad form of policy.

Under the Ordinary Life policy issued at age 40 the policy is written to cover 56 years of insurance, the insurance years from age 40 to 96, and the insured is required to pay for 56 years of insurance and also \$1000 for reserve. Therefore, it must be plain that he is paying for insurance and reserve the same under the Ordinary Life policy that would be paid under the 20 Year Endowment with this exception: under the Endowment form the insured would be required to pay the excess reserve sufficient to create the \$1000 in 20 years; while under the Ordinary Life plan he would be required to pay the excess money in 56 years.

The Ordinary Life would be the better of the two because any amount paid the company for reserve would be lost to the insured should his death occur, and should he die at the end of 10 years the loss under the Endowment policy would be greater than the loss under the Ordinary Life.

If the insured at age 40 were to purchase a 56 Year Endowment policy he would be required to pay his share of the current mortality and managing expense during the 56 years, any dividends or side issues which the policy may contain, and in addition thereto a sufficient amount of money which improved at the interest rate of 3, 3½ or 4%, which has been adopted by the company, will equal \$1000 at the end of the 56th year. This seems to be the same condition that existed under the 40 Year Endowment and also the 30, 20, 10, 5 and the single premium. As this is true it must be manifest that the neutral side lies outside of the Ordinary Life form of policy and can only be found in the form of policy which does not require the insured to pay premiums for excess reserve. These forms of policies can only be purchased from companies selling assessment forms of policies; therefore, there is no question that the Endowment forms of policies do not afford a true and legitimate investment.

If the agent is smooth enough to make the applicant believe that by purchasing an Endowment policy he is securing a true and legitimate investment and the insured dies before he finds out that he has been flimflammed, then

the harm is done to the beneficiary or those who were dependent upon the insured's income.

The great objection to the forms of policies that mature for their face value in 10 or 20 years is that the insured is led to believe that he is going to get the best of the company, whether he dies or whether he lives, but the truth of the matter is that the company has got the best of the insured both ways.

GENERAL INFORMATION.

A Life Insurance Company is a distributing and not a producing organization. Therefore, they afford a very poor excuse for investment or a savings bank.

The amount payable by the company under a life policy is called the death claim, and the Death Claim is not all actual insurance. The difference between the cash value of a policy and the amount payable thereunder as a death claim represents the actual insurance. The cash value is NOT insurance.

Under a Legal Reserve policy the insured and the company (the other policyholders) jointly assume the liability or Death Claim. The cash value or reserve and the Actual Insurance comprises the Death Claim. The cash value or reserve increases each year, and the actual insurance correspondingly decreases, yet the death claim remains the same.

On all forms of Ordinary Life Single Premium or Limited Payment Life, the reserve or cash value always equals the death claim at age 96. (American Table of Mortality). Therefore, at that time there is no actual insurance remaining in the Death Claim.

The insured always pays the cost each year of the actual insurance remaining in the Death Claim, for the years the policy is written to cover, under a policy purchased at a younger age or a new policy purchased at an older age. The less the cash value (made less by smaller premiums) the greater is the actual insurance. Only one form of policy can be applicable to each individual.

There is no true investment in any form of Life Insurance Policy. Any so-called dividend is not a legitimate profit. It is some unused overcharge returned. Paid up Life Insurance is insurance paid for in advance to at least age 96—beyond the average expectation of life by a Single Premium, and is the most expensive form of LIFE Insurance. All Limited Payment Life policies become Single Premium policies for an older age, and force insured to pay, in advance, for years beyond his expectation of life and productive age.

Life insurance was primarily designed to protect the beneficiary against loss by death of the productive worth of the insured, and it is not, therefore, prudent for the insured to assume so much of his own death claim by the payment of too high premiums, thereby destroying to a very large extent the element of protection, the only valuable element contained in any form of Life Insurance Policy.

Life insurance should be carried for protection only as this is the only valuable element contained in any form of a life insurance contract. The insured should purchase this protection at the smallest net cost.

The prospective purchaser of a life insurance policy should always bear in mind that the only benefit to be derived from any form of life insurance is protection to those dependent upon him or to his estate against the loss of his productive worth by death, and that this protection should be purchased at the smallest net cost consistent with security and permanency. If the insurance is purchased with this sole object in view, the policyholder may rest assured that he will get value received for the premium paid for the same.

Table Showing the Net and Gross Natural Cost of \$1000.00 Insurance for One Year 3 Per Cent American Table.

Average Non-Participating Premiums required for the 10, 15 and 20 year Renewable or Convertible Term and Ordinary Life Policies.

Age	Net	Gross	Age	Net	Gross	Age	10-Year Renewable or Convertible Term	15-Year Renewable or Convertible Term	20-Year Renewable or Convertible Term	Ordinary Life Premium
20	\$ 7.58	\$10.11	59	\$ 24.00	\$ 32.00	20	\$ 9.71	\$ 9.90	\$10.12	\$14.88
21	7.63	10.17	60	25.92	34.56	21	9.79	9.99	10.22	15.20
22	7.68	10.24	61	28.04	37.39	22	9.86	10.07	10.35	15.54
23	7.73	10.31	62	30.38	40.51	23	9.95	10.17	10.47	15.90
24	7.78	10.37	63	32.95	43.93	24	10.03	10.28	10.61	16.27
25	7.83	10.44	64	35.80	47.73	25	10.13	10.41	10.76	16.67
26	7.89	10.52	65	38.96	51.95	26	10.23	10.53	10.92	17.08
27	7.96	10.61	66	42.43	56.57	27	10.35	10.67	11.09	17.51
28	8.02	10.69	67	46.26	61.68	28	10.47	10.83	11.29	17.97
29	8.10	10.80	68	50.49	67.32	29	10.60	10.99	11.52	18.45
30	8.18	10.91	69	55.11	73.48	30	10.75	11.18	11.75	18.96
31	8.26	11.01	70	60.19	80.25	31	10.91	11.38	12.03	19.49
32	8.36	11.15	71	65.69	87.59	32	11.08	11.60	12.34	20.06
33	8.46	11.28	72	71.59	95.45	33	11.27	11.85	12.67	20.67
34	8.57	11.43	73	77.84	103.79	34	11.48	12.13	13.06	21.28
35	8.69	11.59	74	84.49	112.65	35	11.70	12.44	13.50	21.95
36	8.82	11.76	75	91.62	122.16	36	11.95	12.80	13.97	22.65
37	8.97	11.96	76	99.33	132.44	37	12.25	13.18	14.50	23.40
38	9.13	12.17	77	107.83	143.77	38	12.57	13.63	15.11	24.18
39	9.31	12.41	78	117.31	156.41	39	12.92	14.13	15.77	25.02
40	9.51	12.68	79	127.90	170.53	40	13.33	14.69	16.52	25.90
41	9.72	12.96	80	140.26	187.01	41	13.78	15.31	17.34	26.84
42	9.95	13.27	81	153.99	205.32	42	14.31	16.02	18.26	27.84
43	10.21	13.61	82	169.22	225.63	43	14.89	16.81	19.29	28.90
44	10.51	14.01	83	185.98	247.97	44	15.55	17.69	20.43	30.03
45	10.84	14.45	84	205.20	273.60	45	16.30	18.69	21.68	31.23
46	11.23	14.97	85	228.69	304.92	46	17.14	19.78	23.07	32.57
47	11.65	15.53	86	257.94	343.92	47	18.10	21.02	24.59	34.00
48	12.14	16.19	87	294.19	392.25	48	19.16	22.39	26.27	35.52
49	12.72	16.96	88	336.59	448.79	49	20.36	23.89	28.12	37.15
50	13.38	17.84	89	384.33	512.44	50	21.68	25.56	30.14	38.88
51	14.12	18.83	90	441.31	588.41	51	23.14	27.40	32.35	40.67
52	14.94	19.92	91	516.96	689.28	52	24.78	29.43	34.75	42.56
53	15.86	21.15	92	615.79	821.05	53	26.57	31.66	37.34	44.58
54	16.89	22.52	93	712.79	950.39	54	28.56	34.10	40.15	46.73
55	18.03	24.04	94	832.18	1009.57	55	30.76	36.78	43.13	49.03
56	19.31	25.75	95	970.87	1294.49	56				51.49
57	20.71	27.61	96	1000.00	1333.33	57				54.11
58	22.27	29.69				58				56.92
						59				59.92
						60				63.14

One (\$1) Per Annum in Advance.

One Dollar per Annum in Advance. The sum to which One Dollar per Annum, paid at the beginning of each year will increase at compound interest in any number of years not exceeding forty at 3, 4½, 5, 5½, 6 per cent per annum.

Years	3 Per Cent	4 Per Cent	4½ Per Cent	5 Per Cent	5½ Per Cent	6 Per Cent
1	\$ 1.030	\$ 1.040	\$ 1.045	\$ 1.050	\$ 1.055	\$ 1.060
2	2.091	2.122	2.137	2.153	2.168	2.184
3	3.184	3.246	3.278	3.310	3.342	3.375
4	4.309	4.416	4.471	4.526	4.581	4.637
5	5.468	5.633	5.717	5.802	5.888	5.975
6	6.662	6.898	7.019	7.142	7.267	7.394
7	7.892	8.214	8.380	8.549	8.722	8.897
8	9.159	9.583	9.802	10.027	10.256	10.491
9	10.464	11.003	11.288	11.578	11.875	12.181
10	11.808	12.486	12.811	13.207	13.583	13.972
11	13.192	14.026	14.464	14.917	15.385	15.870
12	14.618	15.627	16.160	16.713	17.287	17.882
13	16.086	17.292	17.932	18.599	19.292	20.015
14	17.599	19.024	19.784	20.579	21.409	22.276
15	19.157	20.825	21.719	22.657	23.641	24.673
16	20.762	22.698	23.742	24.840	25.996	27.213
17	22.414	24.645	25.855	27.132	28.481	29.906
18	24.117	26.671	28.064	29.539	31.103	32.760
19	25.870	28.778	30.371	32.066	33.868	35.786
20	27.676	30.969	32.783	34.719	36.786	38.993
21	29.537	33.248	35.303	37.505	39.864	42.392
22	31.453	35.618	37.937	40.430	43.112	45.996
23	33.426	38.083	40.689	43.502	46.538	49.816
24	35.459	40.646	43.565	46.727	50.153	53.865
25	37.553	43.312	46.571	50.113	53.966	58.156
26	39.710	46.084	49.711	53.669	57.989	62.706
27	41.931	48.968	52.993	57.403	62.233	67.528
28	44.219	51.966	56.423	61.323	66.711	72.640
29	46.575	55.085	60.007	65.439	71.435	78.058
30	49.003	58.328	63.752	69.761	76.419	83.802
31	51.503	61.701	67.666	74.299	81.677	89.890
32	54.078	65.210	71.756	79.064	87.225	96.343
33	56.730	68.858	76.030	84.067	94.077	103.184
34	59.462	72.652	80.497	89.320	99.251	110.435
35	62.276	76.598	85.164	94.836	105.765	118.121
36	65.174	80.702	90.041	100.628	112.637	126.268
37	68.159	84.970	95.138	106.710	119.887	134.904
38	71.234	89.409	100.464	113.095	127.436	144.058
39	74.401	94.026	106.030	119.800	135.606	153.762
40	77.663	98.827	111.847	126.840	144.119	164.048

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